



REM GOVERNANCE COMMITTEE 2020 ANNUAL REPORT

February 2020 to December 2020

MARCH 2021

This Report was prepared by the
Philippine Electricity Market Corporation –
Corporate Planning and Communications Department.

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1.0 INTRODUCTION

Pursuant to Clauses 1.3.1.2 and 1.3.4 of the REM Rules, the REM Governance Committee (RGC) performed its governance functions over the RE Market under the supervision of the PEM Board and with the PEMC-Corporate Planning and Communications (CPC) Department as its primary support unit.

In performing its responsibilities, the RGC conducted regular monthly meetings after its creation and PEM Board's appointment of its members in January 2020. For 2020, the RGC conducted 11 regular meetings and passed 6 resolutions. After the National Capital Region (NCR) was placed under community quarantine on 14 March 2020 due to the COVID-19 pandemic, the RGC has since conducted its meetings and discussions through an online platform.

Despite the current situation, the RGC has been able to deliver its commitments pursuant to its mandates under the REM Rules.

The RGC submits this Annual Report covering the activities undertaken and its accomplishments for the year 2020 from the time of its creation and appointment of its members in January 2020. This report likewise sets out the proposed activities of the RGC for year 2021.

2.0 RGC RESPONSIBILITIES, COMPOSITION, AND MEMBERSHIP

2.1 Responsibilities

The REM Rules Clause 1.3.1.2 provides that *"The ultimate governance of the REM is the responsibility of the PEM Board. The majority of governance functions will be carried out by the REM Governance Committee ("RGC") under the oversight of the PEM Board."*

The activities and responsibilities of the RGC are set out in the REM Rules Clause 1.3.4.1, as follows:

- i. Oversee and monitor the activities of the Registrar in relation to REM processes to ensure that it fulfils its responsibilities under the REM Rules,
- ii. Oversee and monitor the activities of REM Members to ascertain and determine their compliance or non-compliance with the REM Rules,
- iii. Impose penalties or exempt the imposition of the same for breaches of the REM Rules or REM Manuals based on the investigation findings of the Enforcement and Compliance Officer in accordance with Clause 6.1,

- iv. Approve or disapprove Rule Change Proposals and refer approved Rule Change Proposals to the PEM Board for endorsement to the DOE for final approval and promulgation in accordance with Chapter 7,
- v. Approve or disapprove Manual Change Proposals and refer approved REM Manual changes to the PEM Board for endorsement to the DOE for final approval and promulgation in accordance with Chapter 7, and
- vi. Issue resolutions or advisories on any matter related to the REM.

The RGC may likewise seek the assistance of the WESM Governance Committees¹ to:

- i. Monitor activities conducted by REM Members in the REM;
- ii. Monitor technical matters relating to the operation of the REM;
- iii. Report to the RGC on the activities of REM Members in the REM, and matters concerning the operation of the REM generally;
- iv. Report to the RGC on any matter of a technical nature which causes or appears to cause unintended or distortionary effects to the operation of the REM; and
- v. Propose, assess and prepare for DOE approval any changes to these REM Rules in accordance with Chapter 7.

Finally, the RGC shall propose performance standards to be endorsed by the PEM Board to the DOE for approval. The performance standard shall monitor and provide an indication of the Registrar's performance with respect to:

- i. The Registrar's responsibilities under the REM Rules in relation to relevant provisions of the Act, its Implementing Rules and Regulations, the WESM Rules and Manuals, DOE Circular DC 2017-12-0015 other applicable laws, rules and regulations; and
- ii. The achievements of the objectives of the Act

2.2 Composition and Membership

Pursuant to REM Rules Clause 1.3.2, the RGC shall be made up of 5 members with the following composition, the member of which shall be appointed by the PEM Board²:

¹ Pursuant to REM Rules Clause 1.3.4.4

² Pursuant to REM Rules Clause 1.3.2.2

Composition under the REM Rules	PEM Board-Appointed Member/Representative	Date of Appointment
1. One Independent member who shall be selected from the Independent members of the PEM Board and who shall also act as the Chairperson	Dir. Peter L. Wallace, Independent	August 2020
2. One representative from the RE Registrar	Pres. Oscar E. Ala, PEMC	January 2020
3. One representative from the Private DU	Mr. Lawrence S. Fernandez, MERALCO	April 2020
4. One representative from the Electric Cooperative	GM Rene M. Fajilagutan	April 2020
5. One representative from the Generator and Retail Electricity Supplier	Atty. Anne Estorco-Montelibano	June 2020

3.0 2020 ACCOMPLISHMENTS

3.1 REM Governance Committee By-Laws.

Pursuant to REM Rules Clause 9.2.4, the RGC formulated and endorsed to the PEM Board the RGC By-laws, which sets out, among other things, the following:

- a) RGC responsibilities;
- b) Appointment and term of office;
- c) Honorarium and budget for the Committee's activities;
- d) Scheduling, conduct, and documentation of meetings; and
- e) Code of Ethics and Professional Conduct

During its meeting held on 25 March 2020, the RGC approved and endorsed to the PEM Board the RGC By-Laws, which the latter approved on 29 April 2020.

3.2 Proposed Renewable Energy Market Manuals

3.2.1 Proposed New Market Manual on Registration

The RGC deliberated on the Proposed New Market Manual on REM Registration (Issue 1.0), which was drafted and submitted by PEMC.

The proposed manual serves the following purpose, among other things:

- i. Defines the REM member categories pursuant to the REM Rules;
- ii. Outlines the criteria, guidelines, and procedures for registration, suspension, and de-registration of REM members; and
- iii. Requires continuing compliance with membership criteria as well as with the technical and commercial requirements as a condition for continuing membership in the REM.

The Proposed New Market Manual on REM Registration (Issue 1.0) was approved by the RGC during its 2nd Regular Meeting held on 25 March 2020 and was endorsed to and approved by the PEM Board on 29 April 2020. It was subsequently endorsed to the DOE on 09 June 2020 and will be finalized for the DOE's approval and promulgation based on the comments gathered during the public consultations conducted by the DOE in December 2020.

3.2.2 Proposed New Market Manual on FiT-REC Allocation

The RGC deliberated on the Proposed New Market Manual on FiT-REC Allocation (Issue 1.0), which was drafted and submitted by PEMC.

The proposed manual serves the following purpose, among other things:

- i. Sets the RE Registrar's procedures for the allocation of RE Certificates (RECs) out of actual generation from FiT-eligible RE facilities;
- ii. Identifies the required data and information that REM Data Providers shall submit to the RE Registrar with respect to the generation of FiT-eligible RE facilities; and
- iii. Sets the timelines to be followed for the procedures related to a) submission of data and information, b) allocation of FiT-eligible RE facilities, and c) notifications to the On-Grid Mandated Participants.

The Proposed New Market Manual on FiT-REC Allocation (Issue 1.0) was approved by the RGC during its 2nd Regular Meeting held on 25 March 2020 and was endorsed to and approved by the PEM Board on 29 April 2020. It was subsequently endorsed to the DOE on 09 June 2020 and will be finalized for the DOE's approval and promulgation based on the comments gathered during the public consultations conducted by the DOE in December 2020.

3.2.3 Proposed New Market Manual on REM Investigation Procedures and Penalty

The RGC deliberated on the Proposed New Market Manual on REM Investigation Procedures and Penalty (Issue 1.0), which was drafted and submitted by PEMC.

The proposed manual serves the following purpose among other things:

- i. Sets the procedures to be used by the Enforcement and Compliance Office for investigating breaches of the REM Rules pursuant to Clause 6.1.3; and
- ii. Provides for the sanctions and penalties to be applied by the PEM Board pursuant to REM Rules Clause 6.1.2.1.

The Proposed New Market Manual on REM Investigation Procedures and Penalty (Issue 1.0) was discussed during the 3rd and 4th Regular RGC meetings held on 29 April and 25 May 2020, respectively, and was approved through a resolution by a referendum approved on 11 June 2020. It was endorsed to and approved by the PEM Board on 24 June 2020 and was subsequently endorsed to the DOE on 07 July 2020 and will be finalized for the DOE's approval and promulgation based on the comments gathered during the public consultations conducted by the DOE in December 2020.

3.2.4 Proposed New Market Manual on Dispute Resolution

The RGC deliberated on the Proposed New Market Manual on REM Dispute Resolution (Issue 1.0), which was drafted and submitted by PEMC.

The proposed manual serves the following purpose among other things:

- i. Establishes the mechanisms and procedures to ensure speedy, efficient, and cost-effective administration and resolution of REM Disputes;
- ii. Establishes the criteria and procedures for non-discriminatory and transparent resolutions for REM Disputes;
- iii. Clarifies the scope of responsibilities and functions of persons involved in the REM Dispute Resolution process; and
- iv. Establishes the responsibilities of the Dispute Resolution Administrator pursuant to Clause 6.3 of the REM Rules.

The Proposed New Market Manual on REM Investigation Procedures and Penalty (Issue 1.0) was discussed during the 5th and 6th Regular RGC meetings held on 30 June and 28 July 2020, respectively, and was approved through a resolution by a referendum approved on 14 August 2020. It was endorsed to and approved by the PEM Board on 26 August 2020 and was subsequently endorsed to the DOE on 22 September 2020 and will be finalized for the DOE's approval and promulgation based on the comments gathered during the public consultations conducted by the DOE in December 2020.

3.3 Renewable Energy Market Data Catalogue

Pursuant to the REM Rules Clause 5.1.1.1, "The RE Registrar shall: (a) Disseminate information which it acquires pursuant to the *Registrar's* functions in accordance with its rights, powers, and obligations in a manner which promotes ease of entry into and the orderly operation of the *REM*; and (b) Protect such information from any use or access contrary to the provisions of the *REM Rules*." The REM Rules likewise provides, pursuant to Clause 5.1.1.2, that "the *Registrar* shall publish a data catalogue, listing each type of market information and document produced or exchanged in accordance with the *REM Rules*, and setting out the timing and frequency of publication or transfer for each type of information and document and its confidentiality classification."

During the RGC's 7th Regular meeting held on 25 August 2020, the RGC deliberated on the REM Data Catalogue (Issue 1.0), which was drafted and submitted by PEMC. The said REM Data Catalogue was subsequently approved by the RGC through a Resolution via a referendum on 27 August 2020 and was published by PEMC in the market information website on 07 September 2020.

3.4 Review of Proposed Amendments to the WESM and Retail Rules

During the 1st RGC Meeting held on 26 February 2020, PEMC presented to the RGC its Proposed Amendment to the WESM and Retail Rules for the Operation of the REM.

The proposed rules changes seek to harmonize the WESM Rules and the Retail Rules with the policies stipulated in Section 8 of the Renewable Energy Act of 2008 (RA 9513) and the Renewable Energy Market (REM) Rules promulgated under DOE Department Circular No. DC2019-12-0016 in relation to the implementation of the REM.

In general, the proposed amendments to the WESM and Retail Rules shall provide for the Renewable Energy Registrar's (RER) rights of access to registration, metering and settlement data, and other confidential information that are vital to the operation of the REM and its corresponding reporting mechanism in compliance with the Renewable Portfolio Standards Rules (RPS Rules).

After discussing the matter, the RGC adopted PEMC's Proposed Amendment to the WESM and Retail Rules for the Operation of the REM, and gave its clearance for PEMC to proceed with its submission of the proposal to the Rule Change Committee (RCC). The proposal is still subject for the DOE's final approval and promulgation.

3.5 RE Market Participation Agreement

The RGC deliberated on the RE Market Participation Agreement, which was presented by PEMC's Legal Team. The RE MPA is an undertaking between PEMC and the REM Participants relative to the membership and participation in the Renewable Energy Market Operated by PEMC. The RE MPA outlines the contractual agreement by and between the Parties in relation to the following:

- i. Compliance with the REM Rules and REM Documents;
- ii. PEMC Membership;
- iii. RE Member Duties, Obligations, and Responsibilities;
- iv. Representations and Warranties;
- v. Covenants;
- vi. Dispute Resolution;
- vii. Term and Termination;
- viii. Liability and indemnification;

- ix. Data Privacy; and
- x. Confidentiality

After the RGC's discussions on the matter during its 1st and 2nd Regular meetings held on 26 February and 25 March 2020, the RE MPA was endorsed by PEMC to the PEM Board and was subsequently approved by the latter on 29 April 2020.

3.6 REM Phased-In Implementation Updates

In January 2020, the PEM Board approved the Renewable Energy Market (REM) Readiness Criteria, which was subsequently endorsed by the Philippine Electricity Market Corporation (PEMC) to the Department of Energy (DOE), for approval. After having discussions with the DOE-REMB in May 2020, PEMC submitted in that same month its Phased-In Implementation Plan for the RE Market as recommended by the DOE.

As part of its regular activities, the RGC has been reviewing the monthly REM Phased-In Implementation Updates prepared by PEMC, which provide the status of each component of the REM Readiness Criteria and were later submitted to the DOE in compliance with the provision of the DOE Department Circular No. 2019-12-0016 in which PEMC was directed to submit regular updates/ reports on the status of activities required for the commercial operations of the REM.

For the year 2020, the RGC reviewed and discussed the monthly status of the REM Phased-In Implementation covering the months of July to December 2020.

4.0 ONGOING ACTIVITY/IES

4.1 Proposed Amendment to the REM Rules for the Extension of Timeline of Data Provision to the RE Registrar

The National Transmission Corporation or Transco's Proposed Amendment to the REM Rules for the Extension of Timeline of Data Provision to the RE Registrar was officially received by the RGC on 26 November 2020 after an initial presentation was made by the Proponent and the RGC gave its initial comments,

The proposal seeks to amend TransCo's timeline for the submission of the data on FiT-Allocation from 50 calendar days to 65 calendar days after the end of the WESM Billing Period. This is to provide ample time for the TransCo as the FIT-All Fund Administrator to prepare and consolidate actual reports from the Collection Agents. The proposal also aligned the RE Registrar's timeline for the REC issuance with the extension of TransCo's timeline.

The Proposed Amendment to the REM Rules for the Extension of Timeline of Data Provision to the RE Registrar was published in December 2020 is set for the RGC's deliberations in February 2021 after the lapse of the thirty-day publication period to solicit comments.

5.0 RGC 2021 WORK PLAN


Annex A provides details of the RGC's proposed program of activities for 2021 consistent with PEMC's Corporate Strategic Plan for 2021-2022 which was approved by the PEM Board on 13 December 2020.

Submitted by:

REM GOVERNANCE COMMITTEE



PETER L. WALLACE
Chairperson, Independent



OSCAR E. ALA
Member, RE Registrar



ANNE ESTORCO MONTELIBANO
Member, REM Generator and Supplier





RENE M. FAILAGUTAN
Member, Electric Cooperative



LAWRENCE S. FERNANDEZ
Member, Private Distribution Utility

REM GOVERNANCE COMMITTEE 2021 WORK PLAN

Legend:  Submission/Completion of Report
 Regular Activity

ACTIVITIES		OUTPUTS/	2021			
			Q1	Q2	Q3	Q4
EFFICIENCY						
1	Timely approval by the PEM Board of the proposed WGC Performance Measure	Inputs to the Proposed WGC Performance Measures				
2	Timely submission of the Annual Performance Report of WGCs, if requested	Approval of inputs to Annual Performance Report				
MARKET						
1	Timely submission of Monthly Status of the REM Phased-In Implementation Report to the DOE	Discussion and inputs to the monthly REM Phased-In Implementation Report to the DOE				
2	Timely completion of the Trial Operations Program	Monitoring of participation by REM Participants in the TOP				
3	Ensure that expected REM participants are registered before the REM commercial operations date	Monitoring of registration by REM Participants with the RE Registrar				
4	Timely development and PEM Board approval of the proposed RER Performance Standards by Q2 2022 – Gathering of Data for the development of Performance Standards	Approval of the Initial RER Performance Measures				
5	Timely approval of the submitted Annual REC Report to the DOE by Q1 2022	Approval of the Annual REC Report containing data on REC issuances				
6	Conduct of a study on the Tax Ruling required for REM transactions by Q2 2020	Discussions and recommendation on Tax Ruling for REC Transactions				

ANNEX A: RGC-ANREP-2020

7	Oversee the review of Operating Agreement to transfer RE Registrar functions by Q3 2021, as applicable	Inputs to the Revisions on the Operating Agreement, as applicable				
8	Approval by the PEM Board of the revised Market Participation Agreement by Q4 2021	PEM-Board Approved Revised RE MPA				
EMPOWERED GOVERNANCE						
1	Regular conduct of RGC Meetings (every last Tuesday of the month or as may be determined by the RGC)	Participation in RGC Meetings and Provision of Inputs in the Discussion of matters relating to the RGC and the REM				
2	Timely Submission of the RGC Annual Report and 2021 Work Plan	Approved RGC 2020 Annual Report and 2021 Work Plan				
3	Participation in PEMC Membership meetings and related activities, as required/scheduled	RGC Attendance/participation				
4	Presentation and reporting to the PEM Board of RGC activities and decisions (e.g. REM Rule and Manual Change Proposals, Financial Penalties, and other decisions and recommendations)	Review and approval of RGC Resolutions and Presentation/Reports to the PEM Board on RGC decisions				