


Republic of the Philippines

ENERGY REGULATORY COMMISSION

Pasig City



IN THE MATTER OF THE APPLICATION FOR THE APPROVAL OF THE STRUCTURE AND LEVEL OF MARKET TRANSACTION FEES FOR THE RENEWABLE ENERGY MARKET WITH PRAYER FOR PROVISIONAL AUTHORITY

ERC CASE NO. 2021-014 RC

PHILIPPINE ELECTRICITY MARKET CORPORATION (PEMC),

Promulgated: April 22, 2021

Applicant.

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NOTICE OF VIRTUAL HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 02 March 2021, Philippine Electricity Market Corporation (PEMC) filed an *Application*, seeking the Commission's approval of the structure and level of Market Transaction Fees (MTF) for the Renewable Energy Market with prayer for provisional authority.

The pertinent allegations of the *Application* are hereunder quoted as follows:

1.

The Applicant is a non-profit, non-stock corporation duly organized and existing in accordance with the laws of the Republic of the Philippines and has its principal office at 18th Floor Robinsons Equitable Tower, ADB Avenue, Ortigas Center, Pasig City. It is represented in this Application by its President, Oscar E. Ala, who has been authorized by the Board of Directors of the Applicant ("PEM Board"), as evidenced by the Secretary's Certificate dated 27 November 2020, which is hereto attached as Annex "A" and made an integral part of this Application.
2.

This Application is being filed to secure the approval of the structure and level of the Transaction Fees for the Renewable Energy Market ("REM") pursuant to Section 8, Chapter III of the Republic Act No. 9513¹ or "*The Renewable Energy Act of 2008*" (hereinafter referred to as the "RE Act"), Sections 10 and 11, Rule 3 of Department Circular No. DC2009-05-0008² or "*The Rules and Regulations Implementing Republic Act No. 9513*" (hereinafter referred to as the "RE Act-IRR") promulgated by the Department of Energy ("DOE") and the pertinent provisions of the DOE Department Circular No. DC2019-12-0016, "*Promulgating the Renewable Energy Market Rules*" or known as the "Renewable Energy Market Rules" or the "REM Rules" issued on 04 December 2019.

BACKGROUND

3.

Section 8, Chapter III of the RE Act and Section 10, Rule 3 of the RE Act-IRR mandated the establishment of the DOE of a Renewable Energy Market ("REM"), which refers to a market where trading of the Renewable Energy Certificates ("RECs") equivalent to an amount of power generated from Renewable Energy ("RE") resources is made.³
4.

The Applicant was likewise tasked under same provisions of the RE Act and the RE Act-IRR to implement changes to the Wholesale Electricity Market ("WESM") Rules in order to incorporate the rules specific to the operation of the REM under the WESM.⁴
5.

The establishment of the REM by the DOE is to facilitate compliance to the Renewable Portfolio Standards ("RPS")⁵, a market-based policy that requires electricity suppliers to source an agreed portion of their energy supply from eligible RE resources⁶, consistent with and pursuant to the objectives set forth under Section 6, Rule 3 of the RE Act, where all stakeholders in the electric power industry are required to contribute to the RE industry of the country.
6.

Section 4, Rule 2, Part II of the RE Act-IRR further provides that the RPS, as a policy mechanism, shall oblige electric power industry participants such as a Generation Companies ("GENCOs"), in so far as their directly connected customers are concerned, Distribution Utilities ("DUs") for their Captive Market and Retail Electricity Suppliers ("RES") for their Contestable Customers, to source or produce a fraction of their electricity requirements from Eligible RE resources.
7.

Pursuant to Section 4, Rule 2, Part II of the RE Act-IRR, the DOE, upon recommendation of the National Renewable Energy Board ("NREB"), adopted and promulgated Department Circular Nos. DC2017-12-0015⁷ or the "*RPS On-Grid Rules*" and DC2018-08-0024⁸ or the "*RPS Off-Grid Rules*", which prescribe the rules and guidelines governing the establishment of the RPS for On-Grid Areas and OffGrid Areas, respectively.
8.

On 18 August 2020, the DOE issued an Advisory on the "*Recalibration of the Commercial Operations of the Renewable Energy Market (REM)*", which provides that the Compliance Year 1 of the RPS On-Grid Rules shall remain in the Year 2020 while the Compliance Year 1 of the RPS Off-Grid Rules is suspended until further notice.
9.

The above guidelines further specify that RECs shall be issued corresponding to the generation of eligible RE Facilities for the period starting calendar year (CY) 2018 and onwards. The RECs however shall be issued only upon commercial operation of the REM.
10.

Importantly, this DOE Advisory recalibrated the commencement of the commercial operation of the REM June 2020 to June 2021⁹ due to the impact of the Corona Virus Disease 2019 (COVID-19) pandemic.
11.

In keeping with Section 10 of the RE Act-IRR which requires the DOE to establish the framework that will govern the operation of the REM, the DOE issued, adopted and promulgated the REM Rules which took effect on 04 January 2020, fifteen (15) days after its publication on 20 December 2019¹⁰.

RESPONSIBILITIES OF THE APPLICANT UNDER THE RE ACT AND THE REM RULES

12.

In accordance with the setting up of the REM by the DOE, the Applicant was directed under Section 8, Chapter III of the RE Act and Section 11, Rule 3 of the RE Act-IRR, to establish and operate the RE Registrar under the supervision of the DOE and to issue, keep and verify RECs corresponding to energy generated from the eligible RE facilities.

"Section 8. Renewable Energy Market (REM). –

"xxx

The PEMC shall, under the supervision of the DOE, establish a Renewable Energy Registrar within one (1) year from the effectivity of this Act and shall issue, keep and verify

RE Certificates corresponding to energy generated from eligible RE facilities. xxx" (Underscoring ours).

"Section 11. Establishment of the Renewable Energy Registrar

Under the supervision of the DOE, the PEMC shall, within one (1) year from the effectivity of this Act, establish and operate the Renewable Energy Registrar and shall issue, keep and verify RE Certificates corresponding to energy generated from the eligible RE facilities. xxx" (Underscoring ours)

13.

In furtherance of the above RE Act, Chapter 10 of the REM Rules defined the RE Registrar as referring to the unit established in accordance with the RE Act to issue, keep and verify RECs corresponding to the energy generated from eligible RE Facilities.
14.

Section 2, last paragraph, of the REM Rules also provides for the Applicant to perform the RE Registrar functions for the establishment of the REM and the development of the RE Registrar.
15.

In addition to the above RE Registrar function and responsibility of the Applicant, the REM Rules further defined the REM as the market developed and implemented by the Applicant¹¹. More so, Clause 1.3.1.2 of the REM Rules categorically stated that the ultimate governance of the REM is the responsibility of the Applicant, through the PEM Board.

THE PHILIPPINE RENEWABLE ENERGY MARKET SYSTEM

16.

Consistent with the objectives of the RE Act, the Development for Renewable Energy Applications Mainstreaming and Market Sustainability ("DREAMS") Project was created. The DREAMS Project is a joint effort of the United Nations Development Programme ("UNDP"), DOE and Global Environment Facility ("GEF") aimed at promoting and facilitating the commercialization of the REM through the removal of barriers to increase the investment in RE-based power generation projects¹².
17.

The third component of the DREAMS Project is the 'Capitalized' REM Development. The Applicant was identified as the responsible party for the third component¹³ pursuant to Section 8, Chapter III of the RE Act which mandated PEMC to perform the functions of the RE Registrar.
18.

The establishment of the REM does not only include the development and issuance of policy instruments that will define the protocols and procedures for the REM but also the development of an enterprise-grade system, that is the Philippine Renewable Energy Market Systems ("PREMS") to operationalize the function of the RE Registrar¹⁴ and will handle registration and contract management, REC transactions and allocations, RPS compliance and report management to operationalize the function of the RE Registrar¹⁵.
19.

On 17 December 2019, the DOE launched the PREMS¹⁶ as an online trading platform for RE.

COMMERCIAL OPERATION OF THE RENEWABLE ENERGY MARKET

20.

Based on the 18 August 2020 Advisory¹⁷ of the DOE, the commercial operation of the REM is recalibrated to commence on June 2021. The Development of the REM, or the transition period prior to commencement of the Commercial Operation of the REM requires the performance and completion of preparatory works, acts and activities in keeping with its responsibilities under the REM Rules.
21.

During the Development of the REM, the Applicant shall, among others, ensure, that:

i.

it has the appropriate procedures, tools and systems in place to implement its duties and responsibilities under the REM Rules¹⁸ by seeing to it that the required facilities, utilities, communications, services and documents are ready and in place for the REM, the PREMS and the RE Registrar pursuant to a readiness criteria developed¹⁹;

ii.

the software and systems used to implement its obligations under the REM Rules shall be certified as correctly implementing the intent of the REM Rules and any relevant REM Manuals²⁰ which can be realized by conducting a Software Certification Audit on the PREMS, through a qualified and experienced independent third party auditor;

iii.

the establishment of the Renewable Energy Market Governance Committee ("RGC")²¹ by facilitating the election of its members through the PEM Board and the by-laws that will put in order its meetings, internal business process and required outputs such as REM Manuals proposals for timely endorsement to the DOE; and

iv.

the development and implementation of a comprehensive Information and Education Campaign ("IEC") to ensure complete understanding and public awareness of the REM and the REM Rules²² using prepared training modules, presentations and materials in the conduct of trainings and trial operations on targeted REM Trading Participants.
22.

The successful completion of the Applicant of the foregoing preparatory acts, works or activities shall make the target commencement of the Commercial Operation of the REM on June 2021 achievable and doable, subject of course to the approval of this Application by the Honorable Commission.
23.

Aside from its responsibilities on the Development of the REM, the Applicant have a continuing responsibility under the REM Rules to –

i.

carry out the governance²³, compliance functions²⁴ and rule and manual change process and/or approvals²⁵, through the RGC under the oversight the PEM Board;

ii.

conduct compliance audit on the PREMS²⁶; RE Registrar²⁷, and Mandated Participants providing metering data for REC Issuance²⁸;

iii.

carry out investigations of breaches to comply with provisions of the REM Rules, through the Enforcement and Compliance Office ("ECO") of the Applicant²⁹;

iv.

implement an alternative dispute resolution mechanism and facilitate the resolution of disputes through the Dispute Resolution Administrator ("DRA") of the WESM³⁰;

v.

maintain, operate, and administer the RE Registry in accordance with the REM Rules³¹;

vi.

allocate resources to enable it to operate and administer the REM and the Registry on a non-profit basis³²; and

vii.

carry out the development, improvement and maintenance of systems, processes, and procedures to be used in the operation of the REM and the Registry³³.

24. Clearly, the performance of Applicant of its responsibilities under the REM Rules is of utmost importance to realize the objectives of the RE Act, which makes the imposition of the Transaction Fee for the REM crucial in achieving and implementing the mandate of the RE Act and the REM Rules.

25. Any further delay on the commencement of the Commercial Operation of the REM would defeat the objectives of the RE Act of encouraging the stakeholders in the electric power industry to contribute to the growth of RE industry in the country³⁴ and the increase in the utilization of RE through 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 incentives³⁵.

AUTHORITY TO FILE THE TRANSACTION FEE FOR THE RENEWABLE ENERGY MARKET

26. In the performance of its responsibilities under the RE Act and the REM Rules, the Applicant, being primarily responsible for the establishment and operation of the RE Registrar and the ultimate governance and implementation of the REM, is with authority, upon the endorsement of the PEM Board, to file before the Honorable Commission the approval of the Structure and Level of the Transaction Fee for the REM at such fee equal to the half of what the Applicant currently charges regular WESM players.

26.1 Section 8 of the RE Act states:

"xxx For this purpose, a transaction fee, equal to half of what PEMC currently charges regular WESM players, may be imposed by PEMC." (Underscoring ours)

26.2 Section 11 of the RE Act IRR similarly provides:

"xxx. For this purpose, the PEMC may impose a transaction fee equal to half of what the PEMC currently charges regular WESM players." (Underscoring ours)

27. Section 7 of the REM Rules, further supports the authority of the PEMC to file this instant Application, to wit:

"The PEMC, with endorsement of the PEM Board is hereby authorized to file before the Energy Regulatory Commission (ERC), the structure and level of transaction fees that it may impose in accordance with Section 8 of the Re Act." (Underscoring ours)

28. The Applicant is filing this Application in its capacity as the governing body of the REM and as the RE Registrar, being the unit established in accordance with the RE Act to issue, keep and verify REC corresponding to energy regenerated from eligible RE facilities³⁶.

29. As required by the REM Rules, the PEM Board, at its regular board meeting held on 28 October 2020, approved the filing of this instant as evidenced by a Secretary's Certificate dated 27 November 2020, hereto attached as Annex "A". Hence, the filing of this Application.

THE TRANSACTION FEES FOR THE RENEWABLE ENERGY MARKET

30. Under Clause 1.4.1 of the REM Rules the Transaction Fee for the REM must (i) be recovered through a charge imposed on REM Members and/or Transactions; (ii) where the structure, to the extent practicable, is transparent and (iv) non-discriminatory (v) covering the budgeted revenue requirement of the RE Registrar and the RGC (vi) which components considered all costs necessary for the RE Registrar to perform its functions considered.

31. In compliance with the above guiding principles of the REM Rules, the following methodologies were adopted to determine the REM Transaction Fee:

31.1 Single-year. The REM Transaction Fees shall be set for a one-year period. For this filing, the period covered shall be the Development of the REM and the One-Year Commercial Operation.

31.2 Input-based. The Applicant will propose and present its annual budgetary requirements in relation to budgeted revenue requirements of the REM and the RE Registrar taking into consideration all costs necessary for the latter to perform its functions under the REM Rules;

31.3 Total Cost Recovery mechanism. The Level of REM Transaction Fees in a particular year is based on cost recovery and its projected revenue should equal its costs. Income is not to be retained as profit.

31.4 Imposed on all REM Trading Participant in the REM. The REM Transaction Fees shall be imposed on all REM Trading Participants wherein it is to be charged to the first recipient/ default owner of the RECs created/issued in the REM.

31.5 Annual Adjustment of Budgetary Requirements. The annual budgets include annual adjustments to take into account the escalation costs based on contracts or law as well as the projected or estimated costs of acquiring assets or implementing specific projects.

31.6 REM Transaction Fee Allocation. The market transaction fees shall be allocated to the REM Trading Participants in proportion to the created/issued RECs issued to it as the default owners or the first recipient of the RECs, following the monthly and quarterly timeline.

32. Structure.³⁷The Applicant proposes to adopt a single market fee structure as it would meet the principles laid down by the REM Rules.

32.1 Cost Component. The REM Transaction Fees would cover two (2) budget revenue requirements, the Operating Expenses ("OPEX") and the Capital Expenses ("CAPEX"), which will take into consideration all costs necessary for the effective implementation and governance of the REM and the performance of the RE Registrar of its functions under the REM Rules.

i.

The OPEX shall cover costs for (a) Personnel Services which includes costs of salaries and benefits of personnel to be hired as organic employees of the Applicant; (b) costs for the Maintenance and Other Operating Expenses ("MOOE") which shall cover all operating expenses – (i) honoraria; (ii) contracted services; (c) audit requirements; (d) Supplies and Materials; (e) Subscriptions and Publication; (f) Travel and Transportation; (g) Conferences and Events; (h) Training and Education; (i) Insurance; (j) Utilities; (i) Communications; (k) Repairs and Maintenance; (l) Rentals; and (m) Taxes and Dues.

ii. The CAPEX is for the procurement, enhancement, improvement, modification or replacement of asset including back-up systems, disaster-recovery sites, corporate

¹ Approved on 16 December 2008.

² Approved on 25 May 2009.

³ Section 4 (qg), RE Act and Section 3 (vv), RE Act-IRR.

⁴ Section 8, RE Act and Section 10, RE Act IRR.

⁵ Section 8, Chapter III, RE Act.

⁶ Section 2 (ss), Chapter I, RE Act.

⁷ Published on 30 December 2017, <https://www.doe.gov.ph/laws-and-issuances/departmentscircular-no-dc2017-12-0015?ckattempt=1>.

⁸ Published on 14 September 2018, <https://www.doe.gov.ph/laws-and-issuances/departmentscircular-no-dc2018-08-0024>.

⁹ <https://www.doe.gov.ph/announcements/advisory-recalibration-commercial-operationsrenewable-energy-market-rem?ckattempt=1>.

¹⁰ <https://www.doe.gov.ph/laws-and-issuances/departmentscircular-no-dc-2019-120016?ckattempt=1>.

¹¹ Definition of Renewable Energy Market or REM, Chapter 10 – Glossary, REM Rules.

¹² Page 28, Request for Proposal ("RFP") on the development of Software, Supply and Delivery of Hardware for the Implementation of the PREMS; <https://www.ungm.org/Public/Notice/71182>.

¹³ Ibid.

¹⁴ Page 46, Definition, RFP PREMS.

¹⁵ Page 28, RFP PREMS.

¹⁶ <https://www.ph.undp.org/content/philippines/en/home/presscenter/speeches/opening-remarksat-the-philippine-renewable-energy-market-system.html>.

¹⁷ The "Recalibration of the Commercial Operations of the Renewable Energy Market (REM)";

¹⁸ Section 5 (c), REM Rules; Clause 9.2.3.4, Chapter 9, REM Rules.

¹⁹ Second paragraph, Section (b), Guidelines on the Recalibration of the RE Market; <https://www.doe.gov.ph/announcements/advisory-recalibration-commercial-operationsrenewable-energy-market-rem?ckattempt=1>.

²⁰ Clause 9.2.3.4, REM Rules.

²¹ Clause 9.2.4, REM Rules.

²² Section 13, REM Rules.

²³ Clause 1.3, REM Rules.

²⁴ Chapter 6, REM Rules.

²⁵ Chapter 7, REM Rules.

²⁶ Clause 6.2.2, REM Rules.

²⁷ Clause 6.2.3, REM Rules.

²⁸ Clause 6.2.4, REM Rules.

²⁹ Clause 6.1.4, REM Rules.

³⁰ Clause 6.3, REM Rules.

³¹ Clause 1.2.1.2 (b), REM Rules.

³² Clause 1.2.1.2 (c), REM Rules.

³³ Clause 1.2.1.2 (d), REM Rules.

³⁴ Section 6, RE Act.

³⁵ Clause 1.2.1.2 (d), REM Rules.

³⁶ Section 6, RE Act.

³⁷ Section 2 (b), Chapter 1, RE Act.

³⁸ Definition of Renewable Energy Registrar, Chapter 10 Glossary, REM Rules.

³⁹ Approved by the PEM Board as shown in the Secretary's Certificate hereto attached as Annex "A".

EU to earmark \$5.85 trillion for Covid recovery measures

BRUSSELS—The European Union's top economy officials said Monday that the recovery measures the EU and its 27 member-states have in the works to emerge from the pandemic total around \$5.85 trillion.

EU Economy Commissioner Paolo Gentiloni told a European Parliament committee that if comparisons are made with US President Joe Biden's pandemic stimulus relief package, the EU can confidently stand next to Washington when all efforts are counted together.

"Measures taken until now from member-states and the EU reach so far 4.8 trillion" euros, the Italian commissioner told legislators, sweeping aside criticism that authorities weren't doing enough compared with Washington.

The EU has agreed to a common recovery fund package of 750 billion euros (\$910 billion), plus a 1.1 trillion euro (\$1.3 trillion) seven-year budget that will be strongly geared toward dealing with the unprecedented economic recession caused by Covid-19 that the bloc's 450 million citizens will have to overcome. Many of those measures still need a final stamp of legislative approval.

During his first 100 days in office, Biden has secured passage of a sweeping \$1.9 trillion pandemic package to bring relief to 330 million Americans. There is also a proposed \$2 trillion-plus infrastructure plan and the recently unveiled \$1.8 trillion proposed student-families-workers plan bringing the total to a potential \$6 trillion. "If we look at it in a certain way, we could say that the US reaction was stronger, faster than the European one," Gentiloni said.

Take note, however, "that we are not a federal state. And so we have to consider both member-states and the EU level," bringing the total to \$4.8 trillion.

"So we are not used to mixing all the different interventions. But if we do this, we reach an amount which is not so different from the effort of the United States," Gentiloni said.

Many major social affairs and economic policies are still run at a national level in the European Union, and stimulus measures for companies and the workforce also have a massive national input, which is rarely visible in EU statistics.

Still the 750-billion euro "Next Generation EU" package stands out because it allows the bloc for the first time to raise money on the markets by itself. Much of the aid will be spent among the poorer and harder-hit member-states.

EU Vice President Valdis Dombrovskis said that if requests from member-states proceeded as planned, the first disbursements to the member-states on prefinancing could already be made in July. He added that the second tranches of financing could already be made before the end of the year.

The EU has a strict set of benchmarks that member-states must reach if the money is to be paid out. In all, 37 percent must be spent on green projects, ranging from offshore wind parks to cycling tracks. And 20 percent must go to digital projects, including 5G networks and digitizing public administration.

Funds will only be released piecemeal once member-states have proven previous aid has been spent according to plan. **AP**

Treasury to start paying out \$350B in state and local aid

THE Treasury Department on Monday launched its \$350 billion program to distribute aid to state and local governments, giving the US economy an added boost as President Joe Biden sought to assure the country that stronger growth is coming.

The aid is part of Biden's larger \$1.9 trillion coronavirus relief package that became law in March. Administration officials said payments could begin to go out in the coming days to eligible governments, allowing state, local, territorial and tribal officials to offset the economic damage from the coronavirus pandemic. The announcement came after the government reported Friday that just 266,000 jobs were added in April—a miss that the president felt obligated to address from the White House on Monday.

"We're moving in the right direction," Biden said. "Our economic plan is working. I never said—and no serious analyst ever suggested—that climbing out of the deep, deep hole our economy was in would be simple, easy, immediate or perfectly steady."

Republican lawmakers have suggested that his relief package, with its extra unemployment benefits, has hurt hiring because people can earn more money by staying at home than working. But Biden emphasized that much of the money is still being disbursed and noted the new portal for state and local government aid.

"The money we're going to be distributing now is going to make it possible for an awful lot of educators, first responders, sanitation workers to go back to work," he said.

The president is pushing even more ambitious government spending, proposing a combined \$4 trillion of investments in infrastructure, families and education to be funded by higher taxes on corporations and the wealthy. Some of that funding would build on the child tax credits and state and local government money that were part of the relief package.

Guidance from the Treasury Department listed broad categories for spending the aid. State and local governments can use the money for public health expenses. They can also offset harm from the downturn to workers, small businesses and affected industries. Money can replace lost public sector revenues. Essential workers can qualify for premium pay, and investments can be made

PRAYER

WHEREFORE, it is respectfully prayed of this Honorable Commission that:

- Pending hearing and final decision of the Application, a Provisional Authority be issued:
 - Approving the proposed Renewable Energy Market (REM) Structure and Transaction Fees Rate computed using the following formula:
$$\text{REM Transaction Fee rate} = \frac{\text{Total Budgetary Requirement}}{\text{Total Estimated Number of RECs for Eligible RE Generation}}$$
 - Approving the proposed REM Transactions Fee Rate of Php1.76 per Renewable Energy Certificate (REC) or Php1.76/MWh with an equivalent rate of Php 0.00176/kWh or 0.176 centavos/kWh for the instant Application to cover CY2018-2021.
 - Approving the Level of the REM Transaction Fees in the amount of FIFTY-TWO MILLION THREE HUNDRED NINETY THOUSAND PESOS (Php52,390,000.00), which consists of the budgetary requirements for the Development of the REM in the amount of NINETEEN MILLION AND NINETY THOUSAND PESOS (Php19,090,000.00) and for the One-Year Commercial Operation in the amount of THIRTY-THREE MILLION AND THREE HUNDRED THOUSAND PESOS (Php 33, 300,000.00) and;
 - Approving the allocation, utilization and use of the collected Financial Penalty of the Applicant from the Wholesale Electricity Spot Market (WESM), in the amount of NINETEEN MILLION AND NINETY THOUSAND PESOS (Php19,090,000.00) for the Development of the REM, subject to appropriate reimbursement mechanism to the WESM for approval of the Honorable Commission.
- Other reliefs just and equitable under the circumstances are likewise prayed for.

The Commission hereby sets the instant *Application* for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference and presentation of evidence on the following dates and online platform for the conduct thereof pursuant to Resolution No. 09, Series of 2020⁴² dated 24 September 2020:

Date	Platform	Activity
01 June 2021 (Tuesday) at two o'clock in the afternoon (2:00 P.M.)	Microsoft Teams	Determination of compliance with jurisdictional requirements and expository presentation for Luzon Stakeholders
08 June 2021 (Tuesday) at two o'clock in the afternoon (2:00 P.M.)	Microsoft Teams	Expository presentation for Visayas Stakeholders
15 June 2021 (Tuesday) at two o'clock in the afternoon (2:00 P.M.)	Microsoft Teams	Expository presentation for Mindanao Stakeholders
06 July 2021 (Tuesday) at two o'clock in the afternoon (2:00 P.M.)	Microsoft Teams	Pre-Trial Conference and Presentation of Evidence
13 July 2021 (Tuesday) at two o'clock in the afternoon (2:00 P.M.)	Microsoft Teams	Presentation of Evidence
20 July 2021 (Tuesday) at two o'clock in the afternoon (2:00 P.M.)	Microsoft Teams	Presentation of Evidence

Any interested stakeholder may submit its comments and/or clarifications at least one (1) calendar day prior to the scheduled virtual hearing, via electronic mail (e-mail) at doCKET@erc.ph, copy furnish the Legal Service through legal@erc.ph. The Commission shall give priority to the stakeholders who have duly submitted their respective comments and/or clarifications, to discuss the same and propound questions during the course of the expository presentation.

Moreover, any person who have an interest in the subject matter of the instant case may become a party by filing with the Commission via e-mail at doCKET@erc.ph, copy furnish the Legal Service through legal@erc.ph, a verified Petition to Intervene at least five (5) calendar days prior to the date of the initial virtual hearing and subject to the requirements under Rule 9 of the ERC Revised Rules of Practice and Procedure, indicating therein the docket number and title of the case and stating the following:

- The petitioner's name, mailing address, and e-mail address;
- The nature of petitioner's interest in the subject matter of the proceeding and the way and manner in which such interest is affected by the issues involved in the proceeding; and
- A statement of the relief desired.

Likewise, all other persons who may want their views known to the Commission with respect to the subject matter of the case may likewise file through e-mail at doCKET@erc.ph, copy furnish the Legal Service through legal@erc.ph, their Opposition or Comment thereon at least five (5) calendar days prior to the initial virtual hearing and subject to the requirements under Rule 9 of the ERC Revised Rules of Practice and Procedure. No particular form of Opposition or Comment is required, but the document, letter, or writing should contain the following:


- The name, mailing address, and e-mail address of such person;
- A concise statement of the Opposition or Comment; and
- The grounds relied upon.

Any of the persons mentioned in the preceding paragraphs may access the copy of the *Application* on the Commission's official website at www.erc.gov.ph.

Finally, all interested persons may be allowed to join the scheduled initial virtual hearing by providing the Commission, thru legal.virtualhearings@erc.ph, with their respective e-mail addresses and indicating therein the case number of the instant *Application*. The Commission will send the access link/s to the aforementioned hearing platform within five (5) working days prior to the scheduled hearing.

WITNESS, the Honorable Commissioners **ALEXIS M. LUMBATAN**, **CATHERINE P. MACEDA**, **FLORESINDA G. BALDO-DIGAL** and **MARKO ROMEO L. FUENTES**, Energy Regulatory Commission, this 19th day of April 2021 in Pasig City.


AGNES YST DEVANADERA
Chairperson and CEO


LSP/MB/MVM/LSP/PCGC


Office of the Chairperson
145020201-04-010-0001

⁴² A Resolution Adopting the Guidelines Governing Electronic Applications, Filings and Virtual Hearings Before the Energy Regulatory Commission".

- infrastructure, equipment, hardware and software requirements.
- 32.2 Cost Exclusion. The proposed budget revenue requirements are net of applicable taxes such as Corporate Income Tax. It also does not cover possible changes in law, rules or regulations, changes in market design, compliance with regulatory requirements, adjustments for inflation and other external factors.
33. REM Transaction Fee Rate.³⁸ The Applicant proposes the REM Transaction Fee to be the charge or Rate to be allocated among the REM Trading Participants based on the proportionate number of RECs to be created/issued and shall be equal to the quotient of the budgetary requirements and the total estimated RECs for RPS Eligible RE Generation:
- $$\text{REM Transaction Fee rate} = \frac{\text{Total Budgetary Requirement}}{\text{Total Estimated Number of RECs for Eligible RE Generation}}$$
- 33.1 The total Budgetary Requirements is the total of the OPEX and CAPEX requirements of the Applicant for the governance, operation and administration of the REM and the RE Registrar for the applicable year.
- 33.2 The total Estimated Number of RECs serves as basis to compute the REM Transaction Fee Rate and is computed using the capacities of the List of Eligible RE Power Plants for RPS Compliance prepared or published by the DOE or alternatively, Eligible RE capacities registered with the RE Registrar.
34. A detailed discussion on the allocation and the computation of the REM Transaction Fee Rate is illustrated in Annex "B" of this Application.
- RATE AND LEVEL OF THE REM TRANSACTION FEES UNDER THE APPLICATION
35. Rate. The Applicant seeks the approval of the REM Transaction Fee Rate of Php 1.76/REC or Php1.76/MWh with an equivalent rate of Php0.00176/kWh or 0.176 centavos/kWh³⁹ which is the quotient of the total budgetary requirement under this Application and the total estimated number of RECs for Eligible RE Generation. Grid to be issued for CY2018-2021;
36. Level. The proposed level of REM Transaction Fees is the total budgetary requirements for the Development and One-Year Commercial Operation of the REM and which has been determined to be in the total amount of FIFTY TWO MILLION THREE HUNDRED NINETY THOUSAND PESOS (Php52,390,000.00) which consists of the budgetary requirements for the Development of the REM in the amount of NINETEEN MILLION AND NINETY THOUSAND PESOS (Php19,090,000.00) and for the One-Year Commercial Operations in the amount of THIRTY THREE MILLION AND THREE HUNDRED THOUSAND PESOS (Php33,300,000.00), which is further broken down as follows:
- | Budgetary Requirements | Amount (Php) |
|--|---------------|
| <i>During Development of the REM</i> | |
| 1. OPEX | 17,330,000.00 |
| 2. CAPEX | 1,760,000.00 |
| Budgetary Requirement | 19,090,000.00 |
| <i>During One-Year Commercial Operation of the REM</i> | |
| 1. OPEX | 28,710,000.00 |
| 2. CAPEX | 4,590,000.00 |
| Budgetary Requirement | 33,300,000.00 |
| TOTAL BUDGETARY REQUIREMENT | 52,390,000.00 |
37. The total proposed Budgetary Requirements of the Transaction Fees for the REM which details the budget revenue requirement for the OPEX and CAPEX components of the Transaction Fees is hereto attached and made an integral part hereof as Annex "C".
38. The Development Cost of the REM shown in Annex "C" pertains to the expenses for the preparatory works, acts and activities that needs to be undertaken by the Applicant prior to and for Commencement Operation of the REM and also includes the assets and equipment required to perform the same while the One-Year Commercial Operation of the REM pertains to costs to be incurred for Commercial Operation of the REM and which includes all the governance and RE Registrar functions of the Applicant as well as the software modifications required for the PREMS. Both budgetary requirements are necessary in order for the Applicant to perform its governance functions on the REM and to establish and operate the RE Registrar in accordance with the REM Rules and more importantly to commence the Commercial Operation of the REM and its continuous implementation, administration and operation.
39. Detailed descriptions of the OPEX and CAPEX components of the REM Transaction Fees for the Development and the One-Year Commercial Operation of the REM are presented in Annexes "D" to "D-15" and "E" of this Application and are made integral parts hereof.
40. The relevant Board Resolution approving the Level of the REM Transaction Fees of the Application is shown in Annex "A" hereof.
- ALLOCATION, UTILIZATION AND USE OF COLLECTED FINANCIAL PENALTIES FROM THE WESM
41. While it is true that Section 8 of the RE Act, Section 11 of the RE Act IRR and Section 7 of the REM Rules "authorizes PEMC to file before the Honorable Commission a transaction fee, equal to half of what PEMC charges the regular WESM players, provided with prior endorsement of the PEM Board", however, pending the Honorable Commission's approval of said transaction fees, Applicant remains to be charged with the obligation to perform preparatory work and initial operation of the REM, which necessarily require funds, resources and personnel.
42. As such, the PEM Board approved the utilization and use of Applicant of the collected Financial Penalty from the WESM for the period that the Applicant is undertaking preparatory/development work and does not collect market transaction fees or else it would render nugatory the responsibilities of the Applicant under the REM Rules and would otherwise result to the absurd situation whereby Applicant is mandated to implement and govern the REM and to establish and operate the RE Registrar but without recourse or means to achieve such purpose.
43. The use and utilization of the collected Financial Penalty corresponding to the budget requirement of the Development of the REM or the amount of NINETEEN MILLION AND NINETY THOUSAND PESOS (Php19,090,000.00) was confirmed and approved by the PEM Board, subject however to appropriate reimbursement mechanism to the WESM also for approval of the Honorable Commission as evidenced by the Secretary's Certificate attached as Annex "A" hereof.
- PRAYER FOR ISSUANCE OF PROVISIONAL AUTHORITY
44. It is most respectfully submitted that pending hearing of the instant application, the grant of provisional authority in favor of the Applicant be granted given the utmost necessity for Applicant to perform and/or conduct preparatory/development works or activities which are part of the readiness conditions for the timely commencement/operationalization of the REM on June 2021.
45. Any further delay in the commencement/ operationalization of the REM would only deter compliance with the RPS by REM Participants⁴⁰ and would defeat the objectives of the RE Act of encouraging the stakeholders in the electric power industry to contribute to the growth of RE industry in the country⁴¹.
46. In support of the instant Application and the prayer for provisional authority thereof, attached are the Judicial Affidavits of *Mr. Clares Loren C. Jalocan*, the Head of the Corporate Planning and Communications Department and *Mr. Patrick S. Fernandez*, Head of the Information Systems and Technology Department of Applicant as Annexes "F" and "G," respectively and made integral parts hereof.

³⁸ Approved by the PEM Board as shown in the Secretary's Certificate hereto attached as Annex "A".

³⁹ Approved by the PEM Board as shown in the Secretary's Certificate hereto attached as Annex "A".

⁴⁰ Section 8, RE Act.

⁴¹ Section 6, RE Act.