



REM GOVERNANCE COMMITTEE 2022 ANNUAL REPORT

January 2022 to December 2022

JANUARY 2023

This Report was prepared by the
Philippine Electricity Market Corporation –
Corporate Planning and Communications Department
for the REM Governance Committee (RGC).

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1.0 INTRODUCTION

Pursuant to Clauses 1.3.1.2 and 1.3.4 of the Renewable Energy Market (REM) Rules, the REM Governance Committee (RGC) performs its governance functions over the REM 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 and special meetings virtually in consideration of the current COVID-19 pandemic. These include 11 regular meetings and 1 special meeting conducted for the year 2022. The RGC also passed 6 resolutions in 2022 documenting its major decisions and recommendations on REM-related matters and endorsed these matters to the PEM Board for the latter's subsequent action.

The RGC hereby submits this Annual Report covering the activities undertaken and its accomplishments for 2022. This report likewise sets out the proposed activities of the RGC for the succeeding year.

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 as set out in the REM Rules Clause 1.3.4.1, are 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 Department of Energy (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 be used as 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

¹ Pursuant to REM Rules Clause 1.3.4.4

Pursuant to REM Rules Clause 1.3.2, as amended by DOE DC No. 2022-06-0026 dated 20 June 2022, the RGC shall be made up of 7 members with the following composition, the member of which shall be appointed by the PEM Board²:

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. Fortunato C. Leynes	July 2021 to present
2. One representative from the RE Registrar <i>*Currently PEMC</i>	Pres. Elvin Hayes E. Nidea	November 2022 to present
3. One representative from the Private DU	Mr. Lawrence S. Fernandez	April 2020 to present
4. One representative from the Electric Cooperative	Mr. Rene M. Fajilagutan	April 2020 to present
5. One representative from the Generator and Retail Electricity Supplier	Atty. Anne Estorco-Montelibano	June 2020 to present
6. One representative from REM Generators with capacity less than 5MW	Vacant	
7. One representative from the Retail Electricity Suppliers	Mr. Jose Rommel Orillaza – Principal Member Atty. Rio Inocencio – Alternate Member	September 2022 to present

The DOE likewise sits as non-voting observer in the RGC pursuant to REM Rules Clause 1.3.3.4. Currently, the appointed DOE observers are as follows:

² Pursuant to REM Rules Clause 1.3.2.2

DOE Representation	Name of Appointee	Position/Bureau
Main Observer	Mr. Gaspar G. Escobar, Jr.	Division Chief/REMB-NREB-TSMD
Alternate Observer	Mr. Jonathan B. Teodosio,	Senior Science Research Specialist/ REMB-NREB-TSMD

3.0 2022 ACCOMPLISHMENTS

3.1 REM Interim Commercial Operations Program (ICOP)

The start of the REM ICOP was announced through DOE DC No.2022-06-0019 published on 30 June 2022, in light of the significant compliance with the DOE-approved Readiness Criteria. The REM ICOP proceeded while waiting for the determination of the REC Price Cap and its Methodology, Rules on the Recovery Mechanism for the Cost of RPS Compliance by Regulated Entities, and Structure and Level of Market Transaction Fees for the REM. Until the DOE declares that the REM is in commercial operation, the REM ICOP shall not entail any money transactions.

The REM ICOP was ceremonially launched on 28 July 2022 at the Marquis Events Place in Taguig, inviting participants and representatives from the media to celebrate its launch as a significant milestone in the journey to a more sustainable and renewable future. The REM ICOP formally commenced on 26 August 2022.

3.2 Report on the Status of the REM Implementation

The review of and discussion on the monthly status of the REM Readiness updates has been a regular activity of the RGC beginning in 2020. The corresponding reports were subsequently submitted monthly to the DOE, in compliance with the provision of 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.

The Report on the Status of the REM Implementation was developed last August 2022 in accordance to the Interim Commercial Operation of the REM declared by DOE DC No. 2022-06-0019 published in 30 June 2022. These set of criteria were enumerated as responsibilities of the

RER in the aforementioned Circular and the report was revised accordingly, and REM Readiness Report was aptly renamed the Report on the Status of the REM Implementation.

3.3 Initial Study on the Voluntary REM

On 24 May 2022, initial discussions for the Voluntary REM were held in the 27th Regular RGC Meeting. The Voluntary REM is a market where even those that are not required to comply with the RPS can make credible claims of using RE to maintain or enhance corporate or public image. Its participants will be contestable customers and captive customers, who are currently not required to participate in the REM. During the said meeting the RGC suggested the following:

- Include the effect of the increasing demand for REC with the voluntary participation vis-à-vis the supply levels of RECs and RPS rules.
- Look at how the cost of operating the REM can be well distributed with the accommodation of voluntary participants.
- The timing of implementing the voluntary market should be carefully studied.

Following the initial study on the Voluntary REM, the matter was once again brought up for discussion on 27 September 2022 at the 31st Regular RGC Meeting, with the submission of a proposal to undertake a full study on the Voluntary REM under the Partnership Agreement with the ETP-UNOPS. Following PEMC's informal coordination efforts with iREC to align policies and issuances in the future, it is intended through to formalize said coordination with iREC and other registries and to conduct a full study on the implementation of the voluntary REM and interactions with similar registries in other jurisdictions.

3.4 Amendment to the REM Rules

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

The National Transmission Corporation's (TransCo) 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.

The proposal was to amend TransCo's timeline for the submission of the data on FiT-Allocation from the previously prescribed 50 calendar days to 65 calendar days after the end of the WESM Billing Period. This provides ample time for 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 given the proposed 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 and was deliberated on by the RGC in February 2021. After giving due course to the proposal, the RGC approved the amendment during its 13th Regular RGC Meeting held on 23 February 2021 through RGC Resolution No. RGC-RESO-2021-01 and endorsed it the PEM Board. In March 2021, it was adopted by the PEM Board and subsequently endorsed to the DOE, for final approval and promulgation. Public consultations were conducted by the DOE and, subsequently, the amendment was signed on 20 June 2022, followed thereafter by its publication in newspaper on 12 August 2022.

3.4.2 Amendment to the REM Rules on Obligations and REC Issuance

The Amendment to the REM Rules on Obligations and REC Issuance was submitted by the Retail Electricity Suppliers Association (RESA) and was officially received by the RGC on 05 April 2021.

The amendment modifies, clarifies, and refines certain provisions in the REM Rules related to obligations and REC issuance to avoid potential issues in the interpretation and implementation of the rules, including provisions under the following REM Rules Clauses:

- i. Clause 1.3.4.6 (under Activities and obligations of the RGC);
- ii. Clause 2.5 (a) (under Responsibility of REM Members);
- iii. Clause 3.1.1.9 (under Issuance);
- iv. Clause 3.3.3.3 (under Surrendering of RECs for RPS Compliance); and
- v. Clause 3.5.1.9 (under Disputes).

The amendment was published in April 2021 to solicit comments of participants and interested parties and, after the lapse of the publication period, was deliberated by the RGC. After giving due course to the proposal, during the 17th Regular RGC meeting held on 29 June 2021, the RGC approved the Proposed Amendment to the REM Rules on Obligation and REC Issuance through RGC Resolution No. RGC-RESO-2021-03 and endorsed it the PEM Board in July 2021. The PEM Board later on adopted the proposal in September 2021 and subsequently endorsed the same to

the DOE, for final approval and promulgation. Public consultations were conducted by the DOE and the amendment was subsequently signed on 20 June 2022 followed by its newspaper publication on 12 August 2022.

3.5 Amendment to the REM Rules on the Additional Seats in the RGC

The Amendment to the REM Rules on the Additional Seats in the RGC emanated from RESA, which officially submitted its proposal to the RGC on 05 April 2021.

RESA originally proposed one additional seat in the RGC for the Supplier sector, to accord the sector a seat that is separate from that of the REM Generators, and to allow for representation of the concerns and interests of suppliers.

After giving due course and having found merit in RESA's proposal, the RGC adopted RESA's proposal, but further proposed for seventh seat representing small RE Generators. Said proposal was to ensure that there is an odd number of seats in the RGC and that small RE Generators are also represented in the Committee, as PIPPA currently represents mostly large RE Generators.

The proposals from RESA and RGC, as adopted through RGC Resolution No. RGC-RESO-21-04, were endorsed to the PEM Board for approval. The PEM Board, however, directed the RGC to review the recommendations of the RGC in line with IEMOP's proposal for the MO to likewise have a seat in the Committee.

In view of the PEM Board's directive, the RGC published the following Options for the additional seats in the RGC in consideration of the proposals from RESA, RGC, and IEMOP:

Option 1: Additional seats: One seat for the RES and one seat for small RE Generators (Proposal from RESA and RGC)

Option 2: Additional seats: One seat for RES and one seat for the MO (RESA and IEMOP)

These proposals were published to solicit comments and were set for the RGC's deliberations in January 2022.

In 20 June 2022 DOE DC. No.2022-06-0026 was signed adopting the first option, granting one seat each for the RES and RE Generators with less than 5MW capacity. Said DOE Circular was published on 12 August 2022.

3.6 Proposed RER Performance Standards

In January 2022, the RGC submitted to the PEM Board the RE Registrar Performance Standards as adopted by the RGC through Resolution No. RGC-RESO-21-06, for the PEM Board's approval and subsequent endorsement to the DOE.

The RE Registrar Performance Standards employs the principle of a Balanced Scorecard in identifying the key performance measures of the RE Registrar, looking at four (4) perspectives, specifically: 1) customers or stakeholders, 2) internal business, 3) learning and innovation, and 4) financial. The performance categories for each perspective in the Balanced Scorecard are as follows:

1. Stakeholders

- Stakeholder Satisfaction on Overall Registrar Performance
- Stakeholder Satisfaction on Response to and Resolution of Queries, Data Requests and Complaints
- Participant Training Feedback

2. Internal Business

- Timeliness of REC Issuance
- Accuracy of REC Issuance
- Timeliness of REM Reports and Information Publication
- Timeliness of REC Statements and Reports Submission

3. Innovation

- PREMS Availability

4. Financial

- Budget Utilization

Pending the commercial operations of the REM, the approval of the RE Registrar Performance Standards was deferred by the PEM Board.

4.0 ONGOING ACTIVITIES

4.1 Annual Review of RE Market Participation Agreement

The current PEM Board-approved RE Market Participation Agreement (MPA), which is part of the requirement for registration in the REM, was presented by the PEMC in May 2022 to solicit comments from the RGC. The MPA is under review together with the comments, and is targeted for completion by end of Q2 2023.

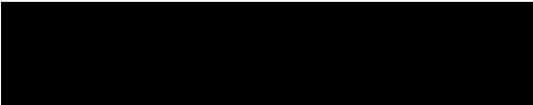
5.0 RGC 2023 WORK PLAN

Annex A provides details of the RGC's proposed program of activities for 2023 consistent with PEMC's Corporate Strategic Plan for 2023-2025, which was approved by the PEM Board on ___ January 2023.

Submitted by:

REM GOVERNANCE COMMITTEE


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REM GOVERNANCE COMMITTEE 2023 WORK PLAN

Legend: Submission/Completion of Report
 Regular Activity

ACTIVITY		OUTPUT	2023			
			Q1	Q2	Q3	Q4
GOAL: POWER, COMPETITION, MARKET						
1	Administer the Operations of the REM	1.1 Approved RE Market Participation template				
		1.2 100% participant registration in the REM				
		1.3 Timely processing and issuance of REC				
		1.4 Timely submission of reports to the DOE				
2	Provide Inputs to the Study on the Voluntary RE Market, as scheduled	Inputs and Recommendations				
3	Provide inputs to the RE Market Audit Report by External Auditor					
4	Provide inputs to the implementation in the REM of the RPS Off-grid					
5	Market Rules and Manuals are responsive to the Changing Needs of the Market	Approved Rule Change Proposals pursuant to the procedures set forth under the REM Rules				
6	Monitor Compliance of Participants	Summary of Investigation Reports; Recommendations on the penalties for non-compliances of REM Members				
7	Conduct Regular (every last Tuesday of the month or as may be determined by the RGC) and Special RGC Meetings	Participation in RGC Meetings; Inputs in RGC discussion and in RGC documents for review/approval				
8	Implement the RE Registrar Performance Standards upon Full Commercial Operations of the REM	Reports to PEM Board and DOE				

ANNEX A: RGC-ANREP-2021

ACTIVITY		OUTPUT	2023			
			Q1	Q2	Q3	Q4
9	RE Registrar Performance Reports are submitted based on prescribed timelines: <ul style="list-style-type: none"> • Annual to DOE • Quarterly to PEM Board and RGC 	Inputs and Recommendations				

CPC.TMP.11 - RGC-ANREP-2022_(2022 Annual Report and 2023 Work Plan) - unsigned

Final Audit Report

2023-02-23

Created:	2023-02-20
By:	Jayson Duvan Isidro (jdrisidro@wesm.ph)
Status:	Signed
Transaction ID:	CBJCHBCAABAA7mbvdtncZOpl8pEBP3BCN63GNJRcLUfo

"CPC.TMP.11 - RGC-ANREP-2022_(2022 Annual Report and 2023 Work Plan) - unsigned" History

-  Document created by Jayson Duvan Isidro (jdrisidro@wesm.ph)
2023-02-20 - 2:26:22 AM GMT
-  Document emailed to fcleynes@wesm.ph for signature
2023-02-20 - 2:27:26 AM GMT
-  Email viewed by fcleynes@wesm.ph
2023-02-20 - 2:57:40 AM GMT
-  Signer fcleynes@wesm.ph entered name at signing as FORTUNATO C LEYNES
2023-02-20 - 3:01:12 AM GMT
-  Document e-signed by FORTUNATO C LEYNES (fcleynes@wesm.ph)
Signature Date: 2023-02-20 - 3:01:14 AM GMT - Time Source: server
-  Document emailed to Ria Crizette Alegre (rcbalegre@wesm.ph) for signature
2023-02-20 - 3:01:15 AM GMT
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2023-02-20 - 7:46:06 AM GMT
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2023-02-22 - 3:06:27 AM GMT
-  Email viewed by Ria Crizette Alegre (rcbalegre@wesm.ph)
2023-02-23 - 3:39:27 AM GMT
-  Document e-signed by Ria Crizette Alegre (rcbalegre@wesm.ph)
Signature Date: 2023-02-23 - 3:40:12 AM GMT - Time Source: server

✔ Agreement completed.

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