



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

DEPARTMENT CIRCULAR (DC) NO. DC2023-10-0029

**PROVIDING SPECIFIC AUCTION POLICY AND GUIDELINES FOR
NON-FIT-ELIGIBLE RENEWABLE ENERGY TECHNOLOGIES IN
THE GREEN ENERGY AUCTION PROGRAM**

WHEREAS, Republic Act (RA) No. 7638, or the "Department of Energy (DOE) Act of 1992", declares 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, RA 9136, or the "Electric Power Industry Reform Act of 2001", declares the policy of the State to ensure the quality, reliability, security and affordability of the supply of electric power and to ensure transparent and reasonable prices of electricity in a regime of free and fair competition;

WHEREAS, RA 9513, or the "Renewable Energy Act of 2008" (RE Act), declares as a policy of the State to increase the utilization of renewable energy (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, Section 5 of the RE Act designates the DOE as the lead agency mandated to implement the provisions thereof;

WHEREAS, the DOE has determined that the competitive bidding process is the most attractive way to accelerate the development of RE systems and the promotion and commercialization of its applications, encourage free and active private sector participation and investment in all energy activities, and provide adequate capacity to meet demand, including reserve requirements;

WHEREAS, on 03 November 2021, the DOE issued Department Circular (DC) No. DC2021-11-0036, titled "*Providing the Revised Guidelines for the Green Energy Auction Program in the Philippines*" (*GEAP Guidelines*), for the implementation of the Green Energy Auction (GEA) Program;

WHEREAS, Sections 6.1.3 and 6.1.4 of the GEAP Guidelines mandate that the DOE, upon the recommendation of the Green Energy Auction Committee (GEAC), shall develop a specific auction policy and guidelines or a separate remuneration package under the GEA for geothermal, impounding hydropower facilities, and other emerging RE technologies;

WHEREAS, on 05 October 2022, the DOE issued DC No. DC2022-10-0031, titled "*Declaring All Renewable Energy Resources as Preferential Dispatch Generating Units in the Wholesale Electricity Spot Market Amending for this Purpose*"

Department Circular No. DC2015-03-0001". Under this DC, all qualified and registered generating units utilizing RE sources are granted preferential dispatch in the Wholesale Electricity Spot Market (WESM);

WHEREAS, the National Renewable Energy Program (NREP) 2020-2040 sets a target of at least 35% RE share in the power generation mix by 2030 and 50% by 2040 to attain energy security, sustainable development, inclusive growth, and mitigate the impacts of climate change;

WHEREAS, DC No. DC2023-04-0008, titled "*Prescribing the Policy for Energy Storage System in the Electric Power Industry*", was issued on 20 April 2023 and published in newspapers of general circulation on 26 April 2023 to support the influx of variable RE technologies and sustain RE integration and grid stability;

WHEREAS, on 14 July 2023, the DOE conducted an online public consultation on the draft the DC titled "*Providing Specific Auction Policy and Guidelines for Non-FIT Eligible Renewable Energy Technologies in the Green Energy Auction Program*";

NOW, THEREFORE, in consideration of the foregoing, the DOE hereby issues and promulgates the following guidelines for the participation of Non-Feed-In-Tariff (Non-FIT)-Eligible RE technologies in the GEAP.

Section 1. Title. This Circular shall be known as the "Non-FIT-Eligible RE Technologies in the GEAP".

Section 2. Scope. This Circular shall apply to the following:

- 2.1 RE Developers/Generators of Non-FIT-Eligible RE technologies;
- 2.2 Renewable Portfolio Standards (RPS) Mandated Participants;
- 2.3 Transmission Network Service Provider;
- 2.4 System Operator;
- 2.5 WESM Market Operator;
- 2.6 WESM Governance Arm;
- 2.6 RE Registrar; and
- 2.7 Electricity End-Users.

Section 3. Purpose. This Circular prescribes the specific auction policy and guidelines for Non-FIT-Eligible RE technologies in consideration of the potential contribution and capacity of these RE technologies to meet the Government's target RE share in the power generation mix; provided, that the DOE shall, upon the recommendation of the GEAC, announce the inclusion of any Non-FIT-Eligible RE

technology in an auction prior to the drafting of the Terms of Reference (TOR) therefor.

Section 4. Definition of Terms. Unless otherwise indicated, the terms used in this Circular shall be understood as follows:

- a. **Non-Feed-in-Tariff (Non-FIT)-Eligible RE Facilities** - refer to RPS-eligible facilities utilizing geothermal, impounding and pumped-storage hydro resources and other emerging technologies, as may be declared by the DOE. As used herein, RPS-eligible facilities are those referred to in Sections 6.1.1 and 6.1.2 of the GEAP Guidelines but are not eligible to FIT;
- b. **Non-FIT Green Energy Tariff (Non-FIT GET)** - refers to the Price Offer, in PhP/kWh, approved by the Energy Regulatory Commission (ERC) in accordance with Section 6 hereof after the conduct of each GEA for Non-FIT-Eligible RE technology corresponding to each Winning Bidder on a pay-as-bid basis;
- c. **Price Offer** - refers to the price in PhP/kWh that a Qualified Bidder offers for a specific capacity in each auction round; and
- d. **Settlement Mechanism** - refers to the process by which collection, payment, and settlement of the Non-FIT GET to the Non-FIT-Eligible RE Facilities of Winning Bidders shall be implemented.

Section 5. Auction Process. The following process shall be observed in each Auction Round:

- 5.1. **Pre-Auction Process and Price Offer.** The DOE shall notify the ERC of the upcoming Auction Round. Together with the notice, the DOE shall provide recommendations relating to the parameters and criteria for each specific Non-FIT RE technology to be set by the ERC.

Within ninety (90) days from receipt of the notice and recommendation of the DOE, the ERC shall issue the approved parameters and criteria per type of Non-FIT-Eligible RE Facility to be used in evaluating the Price Offers submitted by Bidders.

- 5.2. **Auction Proper.** The DOE shall issue a Notice of Auction (NOA) per Auction Round for Non-FIT-Eligible RE Technologies in accordance with the process under Section 9.1 of the GEAP Guidelines. The NOA shall be consistent with the objectives of the RE Act and the Energy Transition Program of the Government, and shall include the following:
 - a. TOR defining the specific auction process for each Auction Round;
 - b. Auction design;
 - c. Auctioned capacity; and
 - d. Legal and technical requirements including, but not limited to, those enumerated under Section 5.3 of this Circular.

The DOE shall likewise publish the set of parameters and criteria for evaluating Price Offers, as approved and issued by the ERC in accordance with Section 5.1 of this Circular.

- 5.3. Legal and Technical Requirements. Consistent with the GEAP Guidelines, the Winning Bidders shall ensure that they do not have any legal impediments to deliver their committed capacity.

The Qualified Bidder shall offer the entire capacity of its Non-FIT-Eligible RE Facility. Where only a portion of the Non-FIT-Eligible RE Facility will be offered, the Qualified Bidder shall offer the entire capacity of its generating unit/s subject of the offer; Provided, that the said unit/s have a dedicated metering facility and corresponding revenue meter.

The DOE shall specify other legal and technical requirements for an Auction Round in the TOR therefor.

- 5.4. Evaluation of Offers. The GEA-Bids Evaluation and Awards Committee (GEA-BEAC) shall evaluate the compliance of the Bidders' submissions with the legal and technical requirements.

After evaluation, the DOE shall endorse the respective Price Offers of legally and technically compliant bids to the ERC. The ERC shall evaluate the Price Offers of the Bidders endorsed by the DOE using the approved parameters and criteria.

Section 6. Price Offer. The Winning Bidders for each Auction Round of the GEA for Non-FIT-Eligible RE technology shall be those whose Price Offers were endorsed by the DOE to, and approved by, the ERC after evaluation based on the approved set of parameters and criteria.

Section 7. Settlement of Energy Generated by the Winning Bidders. The payment and settlement for the Non-FIT GET to the Non-FIT Eligible RE Facilities of Winning Bidders shall be collected and administered through the WESM by the Market Operator. As such, the Non-FIT Eligible RE Facilities of Winning Bidders must be registered in the WESM in accordance with the WESM Rules and Market Manuals and relevant rules and regulations.

In all cases, the Non-FIT Eligible RE Facilities of Winning Bidders shall be paid with the Total GEA Amount, without regard to the Energy Trading Amount in the WESM following the formula below:

$$\text{Total GEA Amount} = \text{Energy Delivered in kWh} \times \text{Non - FIT GET in Php/kWh}$$

Where:

"Energy Delivered" refers to the actual delivered energy in kWh of the Non-FIT Eligible RE Facilities of Winning Bidders in the grid.

“Energy Trading Amount” or “ETA” refers to the amount in Philippine Peso (PhP) to be paid by or paid to a trading participant calculated in accordance with Section 8.2.1 of the Price Determination Methodology (PDM) Manual, and subsequent amendments thereto.

“GEA Amount” or “GEAA” refers to the amount in PhP that a Non-FIT Eligible RE Facility of a Winning Bidder is entitled to be compensated for.

Section 7.1. Collection and Flowback of Difference between Energy Trading Amount and GEA Amount. The Market Operator shall calculate the difference between the Energy Trading Amount in the WESM and the computed Total GEA Amount for the billing month of the Non-FIT Eligible RE Facilities of Winning Bidders during the preliminary and final settlement process under the WESM Rules.

Section 7.2. In case the Energy Trading Amount in the WESM of a Non-FIT-Eligible RE Facility of a GEA Winning Bidder is lower than its computed Total GEA Amount for a relevant billing month, the Market Operator shall reflect in the settlement statement of the customers the difference in amount and collect the same from the buyers in the WESM using the following formula:

Energy Trading Amount < Total GEA Amount

$$\text{Collection Allocation per buyer} = \text{GEA shortfall amount} \times \frac{\text{GESQ}_c}{\text{GESQ}_{\text{ctotal}}}$$

Where:

Collection Allocation per buyer is the buyer's share in the GEA Shortfall Amount in PhP for the billing period.

GEA Shortfall Amount is the difference between Energy Trading Amount (ETAg) of generator g and GEA Amount (GEAAg) of generator g where ETAg is lower than GEAAg in PhP.

$$\text{GEA shortfall amount} = \text{ETAg} - \text{GEAAg}$$

GESQ is the gross energy settlement quantity of electricity sold or purchased as determined in WESM Rules 3.13.6 in MWh.

GESQc is the GESQ for customer c (buyer in the WESM) for the billing month in MWh.

GESQctotal is the total customer GESQ (buyers in the WESM) for the billing month in MWh.

Section 7.3. In case the Energy Trading Amount in the WESM of a Non-FIT-Eligible RE Facility of a GEA Winning Bidder is higher than the computed Total GEA Amount for a relevant billing month, the Market Operator shall reflect in the settlement

statements of the customers and collect only the amount due that will satisfy the computed GEA Amount and flowback the difference following the formula for flowback to each buyer in the WESM as follows:

Energy Trading Amount > Total GEA Amount

$$\text{Flowback Allocation per buyer} = \text{GEA flowback amount} \times \frac{\text{GESQ}_c}{\text{GESQ}_{\text{total}}}$$

Where:

Flowback Allocation per buyer is the buyer's share of the flowback amount in PHP for the billing period.

GEA flowback amount is the difference between Energy Trading Amount (ETAg) of generator g and GEA Amount (GEAAg) of generator g where ETAg is higher than GEAAg in PHP.

$$\text{GEA flowback amount} = \text{ETAg} - \text{GEAAg}$$

GESQ is the gross energy settlement quantity of electricity sold or purchased as determined in WESM Rules 3.13.6 in MWh.

GESQ_c is the GESQ for customer c (buyer in the WESM) for the billing month in MWh.

GESQ_{total} is the total customer GESQ (buyers in the WESM) for the billing month in MWh.

Section 8. Responsibilities of the WESM Market Operator and ERC.

- a. The Market Operator shall, within thirty (30) days from the effectivity of this Circular, apply for the ERC's approval on the Settlement Mechanism provided under Section 7 hereof for Non-FIT Eligible RE Facilities GEA Winning Bidders;
- b. The ERC shall act on the Settlement Mechanism within one hundred eighty (180) days from receipt of the application;
- c. Within thirty (30) days from the ERC's approval of the Settlement Mechanism, the Market Operator shall file an urgent amendment to the relevant provisions of the Market Rules and Manuals to reflect the approved Settlement Mechanism; and
- d. The Market Operator shall:
 - i. Implement necessary enhancements on the market systems;

- ii. Ensure availability of adequate manpower that will facilitate implementation of this Circular; and
- iii. Seek the ERC's approval on the recovery of costs for the implementation of this Circular, including the settlement mechanism referred to in Section 7 hereof.

Section 9. Responsibilities of the WESM Governance Arm. To implement this Circular, the Governance Arm, through its concerned committee, shall:

- a. Facilitate the rules change process for the proposed amendments that shall be submitted by the Market Operator; and
- b. Conduct audit of market systems in accordance with the Market Rules and Manuals, that will be used by the market for the implementation of this Circular.

Section 10. Compliance with Competitive Selection Process (CSP). Upon its full implementation, the Opt-In Mechanism shall serve as compliance with the CSP requirements for distribution utilities.

Section 11. Compliance with RPS. The Renewable Energy Certificates (RECs) corresponding to the output of Non-FIT Eligible RE Facilities of Winning Bidders shall be shared pro rata among the WESM trading participants by reason of the Settlement Mechanism set forth in Section 7 of this Circular.

Section 12. 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 13. Repealing Clause. All previous issuances, rules, and regulations inconsistent with this Circular are hereby repealed, amended, or modified accordingly.

Section 14. Effectivity. This Circular shall take effect fifteen (15) days after its publication in at least two (2) newspapers of general circulation. A copy of this Circular shall be filed with the University of the Philippines Law Center – Office of the National Administrative Register.

Section 15. Transitory Provisions. The DOE may issue NOA for Non-FIT Eligible RE Facilities upon the effectivity of the Circular; Provided, however, that the settlement mechanism under Section 7 of this Circular for the same shall only be effective upon the (1) approval of the Settlement Mechanism by the ERC; and (2) issuance by the PEM Audit Committee of audit certification that the settlement systems are compliant with the Settlement Mechanism approved by the ERC.

In case the Winning Bidders have commenced their delivery of energy under this Circular pending the fulfillment of the above conditions, the Non-FIT GET of such

Winning Bidders shall be settled in accordance with the Price Determination Methodology for the WESM, the WESM Rules, and Market Manuals.

Issued on _____ December 2023 at the DOE, Energy Center, Rizal Drive cor. 34th Street, Bonifacio Global City, Taguig City.


RAPHAEL P.M. LOTILLA
Secretary



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