

1 DEPARTMENT CIRCULAR NO. DC2023-_____

2
3 PROVIDING SPECIFIC AUCTION POLICY AND GUIDELINES FOR NON-FIT
4 ELIGIBLE RENEWABLE ENERGY TECHNOLOGIES IN
5 THE GREEN ENERGY AUCTION PROGRAM
6
7

8 **WHEREAS**, Republic Act (RA) No. 7638, or the “Department of Energy (DOE) Act
9 of 1992,” declares as a policy of the State, among others, to ensure a continuous,
10 adequate, and economic supply of energy through the integrated and intensive
11 exploration, production, management, and development of the country’s indigenous
12 energy resources;

13
14 **WHEREAS**, RA No. 9136, or the “Electric Power Industry Reform Act of 2001,”
15 declares the policy of the State to ensure the quality, reliability, security and
16 affordability of the supply of electric power;

17
18 **WHEREAS**, RA No. 9513, otherwise known as the “Renewable Energy Act of
19 2008” or the “RE Act,” declares as a policy of the State to increase the utilization
20 of renewable energy (RE) by institutionalizing the development of national and
21 local capabilities in the use of RE systems, and promoting its efficient and cost-
22 effective commercial application by providing fiscal and non-fiscal incentives;

23
24 **WHEREAS**, Section 5 of the RE Act designates the DOE as the lead agency
25 mandated to implement the provisions thereof;

26
27 **WHEREAS**, the DOE has determined that the competitive bidding process is the
28 most attractive way to accelerate the development of RE systems and the
29 promotion and commercialization of its applications, encourage free and active
30 private sector participation and investment in all energy activities, and provide
31 adequate capacity to meet demand, including reserve requirements;

32
33 **WHEREAS**, on 03 November 2021, the DOE issued Department Circular (DC) No.
34 DC2021-11-0036 entitled, “*Providing the Revised Guidelines For the Green*
35 *Energy Auction Program in the Philippines*” or the “*GEAP Guidelines*” for the
36 implementation of the Green Energy Auction (GEA) Program;

37
38 **WHEREAS**, Section 6.1.3 of DC No. DC2021-11-0036 mandates that the DOE,
39 upon the recommendation of the Green Energy Auction Committee (GEAC), shall
40 develop a specific auction policy and guidelines or a separate remuneration
41 package under the GEA for geothermal and impounding hydropower facilities;

42
43 **WHEREAS**, on 05 October 2022, the DOE issued DC No. DC2022-10-0031
44 entitled, “*Declaring All Renewable Energy Resources as Preferential Dispatch*
45 *Generating Units in the Wholesale Electricity Spot Market Amending for this*
46 *Purpose Department Circular No. DC2015-03-0001*”. Under this DC, all qualified
47 and registered generating units utilizing RE sources were granted preferential
48 dispatch in the Wholesale Electricity Spot Market (WESM);
49

50 **WHEREAS**, the Government has set the target of achieving at least 35% RE share
51 in the power generation mix by 2030 and 50% by 2040;

52
53 **WHEREAS**, the DC2023-04-0008 entitled, “*Prescribing the Policy for Energy*
54 *Storage System in the Electric Power Industry*” was issued on 20 April 2023 and
55 published in newspapers of general circulation on 26 April 2023 to support the
56 influx of variable RE technologies and sustain RE integration and grid stability;

57
58 **NOW, THEREFORE**, in consideration of the foregoing, the DOE hereby issues and
59 promulgates the following guidelines for the participation of Non-Feed-In-Tariff
60 (FIT) Eligible RE technologies in the GEAP.

61
62 **Section 1. Title.** This Circular shall be known as the “**Non-FIT Eligible RE**
63 **Technologies in the GEAP.**”

64
65 **Section 2. Scope.** This Circular shall apply to the following:

- 66
- 67 2.1 RE Developers/Generators of Non-FIT Eligible RE technologies;
- 68
- 69 2.2 Renewable Portfolio Standards (RPS) Mandated Participants;
- 70
- 71 2.3 National Transmission Corporation;
- 72
- 73 2.4 System Operator;
- 74
- 75 2.5 Market Operator;
- 76
- 77 2.6 RE Registrar; and
- 78
- 79 2.7 Electricity End-Users.
- 80

81 **Section 3. Purpose.** This Circular prescribes the specific auction policy and
82 guidelines for Non-FIT Eligible RE technologies in consideration of the potential
83 contribution and capacity of these RE technologies to meet the Government’s
84 targets RE share in the power generation mix; Provided, That the DOE shall, upon
85 the recommendation of the GEAC, announce the inclusion of a Non-FIT Eligible
86 RE technology in an auction prior to the drafting of the Terms of Reference therefor.

87
88 **Section 4. Price Offer.** The Winning Bidders for each Auction Round for Non-
89 FIT Eligible RE technology, shall be based on the Offer Price submitted by the
90 Qualified Bidders, to be evaluated by the ERC based on a set of parameters and
91 criteria, which shall be disclosed together with the Notice of Auction (NOA).

92
93 **Section 5. Auction Process.** The DOE shall undertake a different auction
94 process and design for a specific Non-FIT RE technology including alternate
95 compensation package, as it may deemed fit in order to meet the objectives of the
96 RE Act and the Energy Transition Program of the Government.

97 Consistent with the policies adopted under the GEAP Guidelines, the Winning Bids
98 shall have no legal impediments to deliver its committed capacity and must offer
99 the entire capacity of the facility.

100
101 **Section 6. Dispatch of Energy Generated by the Winning Bidders.** The
102 energy generated by the Winning Bidders for Non-FIT Eligible RE technologies
103 shall be dispatched through the WESM and enjoy Preferential Dispatch.

104
105 **Section 7. Settlement of Energy Generated by the Winning Bidders.** The
106 payment and settlement for the Green Energy Tariff (GET) to the Non-FIT Eligible
107 RE Facilities Winning Bidders shall be collected and administered through the
108 WESM by the Market Operator. As such, the Non-FIT Eligible RE Facilities
109 Winning Bidders are required to register in the WESM in accordance with the
110 WESM Rules and Market Manuals and relevant rules and regulations.

111
112 In all cases, the Non-FIT Eligible RE Facilities Winning Bidders shall be paid with
113 the Total GEA Amount, without regard to the Energy Trading Amount in the WESM
114 following the formula below:

115
116 **Total GEA Amount (PhP) = (Energy Delivered in kWh) (GET in PhP/kWh)**

117
118 Where:

119 **“Energy Delivered”** refers to the actual delivered energy in kWh of the Non-FIT
120 Eligible RE Facilities Winning Bidder in the grid.

121
122 **“GET”** refers to the price, in PhP/kWh, resulting from the conduct of each GEA
123 corresponding to each Winning Bidder on a pay-as-bid basis as defined under
124 Section 4.6 of Department Circular No. DC2021-11-0036.

125
126 **“Energy Trading Amount” or “ETA”** refers to the amount in Philippine Peso
127 (PhP) to be paid by or paid to a trading participant calculated in accordance with
128 Section 8.2.1 of the Price Determination Methodology (PDM) Manual, and
129 subsequent amendments thereto.

130
131 **“GEA Amount” or “GEAA”** refers to the amount in Philippine Peso (PhP) that a
132 Non-FIT Eligible RE Facilities Winning Bidder is entitled for.

133
134 **Section 7.1 Collection and Flowback of Difference between Energy Trading**
135 **Amount and GEA Amount.** The Market Operator shall calculate the difference
136 between the Energy Trading Amount in the WESM and the computed GEA Amount
137 for the billing month of the Non-FIT Eligible RE Facilities Winning Bidders during
138 the preliminary and final settlement process under the WESM Rules.

139
140 **Section 7.2** In case the Energy Trading Amount in the WESM of a Non-FIT Eligible
141 RE Facility GEA Winning Bidder is lower than its computed GEA Amount for a
142 relevant billing month, the Market Operator shall reflect in the settlement statement
143 of the customers the difference in amount and collect the same from the customers
144 through the WESM using the following formula:

146 **Energy Trading Amount < GEA Amount**

147
148 **Collection Allocation per customer (PhP)** = GEA Shortfall Amount [ETAg
149 – GEAAg] in PhP (GESQc in MWh/GESQctotal in MWh)

150
151 Where:

152 **Collection Allocation per customer** is the trading participants' share in the
153 GEA Shortfall Amount in Philippine Peso (PhP) for the billing period.

154
155 **GEA Shortfall Amount** is the difference between Energy Trading Amount
156 (ETAg) of generator g and GEA Amount (GEAAg) of generator g where
157 ETAg is lower than GEAAg in Philippine Peso (PhP).

158
159 **GESQ** is the gross energy settlement quantity of electricity sold or purchase
160 as determined in WESM Rules 3.13.6 in MWh.

161
162 **GESQc** is the GESQ for customer c (buyer in the WESM) for the billing
163 month in MWh.

164
165 **GESQctotal** is the total customer GESQ (buyers in the WESM) for the
166 billing month in MWh.

167
168 **Section 7.3** In case the Energy Trading Amount in the WESM of a Non-FIT Eligible
169 RE Facility GEA Winning Bidder is higher than the computed GEA Amount for a
170 relevant billing month, the Market Operator shall reflect in the settlement
171 statements of the customers and collect only the amount due that will satisfy the
172 computed GEA Amount and flowback the difference following the formula for
173 flowback to each customer as follows:

174
175 **Energy Trading Amount > GEA Amount**

176
177 Flowback Allocation per customer (PhP) = GEA flowback amount [ETAg –
178 GEAAg] in PhP (GESQc in MWh/GESQctotal in MWh)

179
180 Where:

181
182 **Flowback Allocation per customer** is the trading participants' share of the
183 flowback amount in Philippine Peso (PhP) for the billing period.

184
185 **GEA flowback amount** is the difference between Energy Trading Amount
186 (ETAg) of generator g and GEA Amount (GEAAg) of generator g where
187 ETAg is higher than GEAAg in Philippine Peso (PhP).

188
189 **GESQ** is the gross energy settlement quantity of electricity sold or purchase
190 as determined in WESM Rules 3.13.6 in MWh.

191
192 **GESQc** is the GESQ for customer c (buyer in the WESM) for the billing
193 month in MWh.

195 **GESQtotal** is the total customer GESQ (buyers in the WESM) for the
196 billing month in MWh.
197

198 **Section 8. Responsibilities of the Market Operator and ERC.**
199

200 The Market Operator shall, within thirty (30) days from the effectivity of this Circular,
201 apply for the ERC's approval on the Settlement Mechanism provided under Section
202 7 for Non-FIT Eligible RE Facilities GEA Winning Bidders.
203

204 ERC shall act on the Settlement Mechanism within 60 days from receipt of the
205 application.
206

207 Within thirty (30) days from the ERC's approval of the Settlement Mechanism, the
208 Market Operator shall file an urgent amendments to the relevant provisions of the
209 WESM Rules and Market Manuals to reflect the approved Settlement Mechanism.
210

211 **Section 9. Responsibilities of the Market Operator.** To implement this
212 Circular, the Market Operator shall:
213

- 214 (a) propose amendments to the Market Rules and Manuals within ninety (90)
215 working days from the effectivity of this Circular, if necessary;
- 216 (b) implement necessary enhancements on the market systems;
- 217 (c) ensure availability of adequate manpower that will facilitate implementation
218 of this Circular; and
- 219 (d) seek approval of the Energy Regulatory Commission on the recovery of costs
220 for the implementation of this Circular, including the settlement mechanism
221 referred to in Section 7 and 10 of this Circular.
222

223 **Section 10. Responsibilities of the Governance Arm.** To implement this
224 Circular, the Governance Arm thru its concerned committee shall:
225

- 226 (a) facilitate the rules change process if the Market Operator proposes
227 amendments to the Market Rules and Manuals; and
- 228 (b) conduct audit of market systems in accordance with the Market Rules and
229 Manuals.
230

231 **Section 11. Compliance with Competitive Selection Process (CSP).** The
232 Green Energy Auction including the Opt-in Mechanism shall serve as compliance
233 with the CSP requirements for Distribution Utilities.
234

235 **Section 12. Separability Clause.** If any provision of this Circular is declared
236 invalid or unconstitutional, the other provisions not affected thereby shall remain
237 valid and subsisting.
238

239 **Section 13. Repealing Clause.** All previous issuances, rules, and regulations
240 inconsistent with this Circular are hereby repealed, amended, or modified
241 accordingly.
242

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

247

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

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255 Issued on _____ at the Department of Energy,
256 Energy Center, Merritt Road, Fort Bonifacio, Taguig, Metro Manila.

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RAPHAEL P.M. LOTILLA
Secretary