



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

DEPARTMENT CIRCULAR NO. DC2019-12 - 0016

PROMULGATING THE RENEWABLE ENERGY MARKET RULES

WHEREAS, Republic Act (RA) No. 7638, otherwise known as the "*Department of Energy (DOE) Act of 1992*," declares as a policy of the State to, among others, ensure the 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, Republic Act No. 9136 otherwise known as the "*Electric Power Industry Reform Act of 2001*," or *EPIRA*" requires the State to, among others, promote the utilization of indigenous, new, and renewable energy resources in power generation in order to reduce dependence on imported energy;

WHEREAS, RA No. 9513, otherwise known as the "*Renewable Energy Act of 2008*" or the "*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 their efficient and cost-effective commercial application by providing fiscal and non-fiscal incentives;

WHEREAS, Section 6, Chapter III of the RE Act provides a Renewable Portfolio Standard (RPS) whereby all stakeholders in the electric power industry shall contribute to the growth of the RE industry in the country and mandates the National Renewable Energy Board (NREB) to set a minimum percentage of generation from Eligible RE resources and determine to which sector the RPS shall be imposed on a per grid basis, within one (1) year from effectivity of the RE Act;

WHEREAS, Section 4, Rule 2, Part II of the Implementing Rules and Regulations of the RE Act (RE Act IRR) provides that the RPS, as a policy mechanism, shall oblige electric power industry participants such as Generation Companies, 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;

WHEREAS, Department Circular Nos. DC2017-12-0015 and DC2018-08-0024 were promulgated by the DOE, prescribing the rules and guidelines governing the establishment of the Renewable Portfolio Standards for On-Grid and Off-Grid Areas (RPS Rules), respectively;

WHEREAS, pursuant to Section 8 of the RE Act, a Renewable Energy Market (REM) shall be established by the DOE to facilitate the compliance of the Mandated Participants with the RPS;

WHEREAS, Section 8 of the RE Act further requires the Philippine Electricity Market Corporation (PEMC) to, under the supervision of the DOE, establish a Renewable Energy Registrar (RER) within one (1) year from the effectivity of the RE Act and the RER shall issue, keep and verify RE Certificates (RECs) corresponding to energy generated from eligible RE facilities, which will be used for compliance with the RPS;

WHEREAS, the DOE and the National Renewable Energy Board (NREB) conducted a series of public consultations on the draft REM Rules on various dates and in different parts of the country:

Date/s	Place/s
05 December 2017	Davao City
14 December 2017	Makati City
20 December 2017	Cebu City
18 January 2018	Davao City
08 November 2018	Zamboanga City
22 November 2018	Iloilo City
27 November 2018	Baguio City

NOW, THEREFORE, after due consultations with the NREB and all concerned stakeholders in the Government and private sector, the DOE hereby issues, adopts and promulgates the REM Rules, herein attached as "**Annex A**," and is therefore made an integral part of this Circular.

Section 1. Short Title. This Circular shall be known as the "**Renewable Energy Market Rules**" or "**REM Rules**."

Section 2. Scope of Application. The REM Rules shall apply to all electric power industry participants in Luzon, Visayas, and Mindanao, both in the On-Grid and Off-Grid Areas:

- (a) All Mandated Participants under the RPS Rules, both for On-Grid and Off-Grid areas.
 - (i) For On-Grid Areas:
 - (1) All DUs for their Captive Customers;

- (2) All Suppliers of Electricity for the Contestable Market, as defined in the EPIRA and pursuant to Retail Competition and Open Access (RCOA);
 - (3) Generating Companies only to the extent of their actual supply to their directly connected customers; and
 - (4) Other entities as may be recommended by NREB and approved by the DOE.
- (ii) For Off-Grid Areas:
- (1) Generation Companies including National Power Corporation's Small Power Utility Group (NPC-SPUG), New Private Power Providers (NPPs), and Qualified Third Parties (QTPs); and
 - (2) DUs and Local Government-Operated Electric Systems with respect to their own embedded generation facilities.
- (b) RE Generation Companies registered in the Wholesale Electricity Spot Market (WESM);
 - (c) Net Metering for RE Participants; and
 - (d) Green Energy Option Program (GEOP) Participants.

The PEMC for the establishment of the REM and the development of the Philippine Renewable Energy Market System (PREMS) shall perform the RER functions: *Provided*, That no later than one (1) year from the start of commercial operations of the REM, the functions, assets and liabilities of PEMC in performing the RER functions shall be transferred to the entity performing market operations;

Section 3. Governance of the REM. To establish and ensure a culture of compliance by the Mandated Participants with the RPS Rules and the REM Rules, a REM Governance Committee (RGC) is hereby created. The RGC shall be under the supervision of Philippine Electricity Market Board (PEM Board) and the composition of which is defined under the REM Rules.

Section 4. Responsibilities of the RGC. The RGC shall, among others, oversee and monitor the activities of the RER with regard to the REM processes to ensure that the REM participants and Mandated Participants comply with the REM Rules, and shall regularly report to the PEM Board. The governance structure, responsibilities, and other activities of the RER and the RGC are detailed in Chapters 1.2 and 1.3 of the REM Rules.

Section 5. Transitory Provisions. The following transitory provisions are prescribed to ensure the smooth transition from the current regime to the full implementation/operationalization of the REM and the REM Rules:

- (a) PEMC is hereby directed to submit for approval to the DOE, the following:
 - (i) Within thirty (30) days from issuance of this Circular, the proposed Readiness Criteria consisting of the activities and scenarios necessary to enable the effective implementation of the REM. Accordingly, PEMC shall regularly report to DOE the status of all activities being undertaken until the Readiness Criteria have been met.
 - (ii) Within six (6) months from the issuance of this Circular, a Certification on the level of compliance of all REM Participants and Mandated Participants in the Readiness Criteria for the commencement/operationalization of the REM, including a recommendation as to whether or not the Readiness Criteria have been met.

Once validated and verified by the DOE, the REM shall start its commercial operations.

- (b) Feed-In Tariff Allowance (FIT-All) Data Provision Requirements. Prior to the establishment of the REM, the FIT-All Fund Administrator shall commence providing the DOE and PEMC, all data necessary to facilitate the RER's allocation of electricity generated from Feed-In Tariff (FIT) Eligible RE Plants to the Mandated Participants;
- (c) Prior to the commencement/operationalization of the REM, the RER shall ensure that it has the appropriate procedures, tools and systems in place to implement its duties and responsibilities under these REM Rules;
- (d) Prior to the commencement/operationalization of the REM, corresponding changes to the WESM Rules shall have been implemented by the PEMC to facilitate the operation of the REM in relation to the WESM;
- (e) Prior to the commencement of the full commercial operations of the WESM in Mindanao, the Meter Quantity Reconciliation Agent designated under Department Circular No. DC2017-05-0009, entitled "Declaring the Launch of the Wholesale Electricity Spot Market (WESM) In Mindanao and Providing for Transition Guidelines," shall submit to the RER on a monthly basis, the relevant data for the reconciliation on Nominations, Actual Schedules, Metered Quantities, System Losses and Imbalances of the generators and customers;

- (f) All REM Participants shall submit and comply with the registration requirements prescribed in the REM Rules and the REM Registration Manual that shall be issued by the DOE in a subsequent issuance, no later than the target commercial operations date;
- (g) The PEMC may recommend to the DOE other matters of interest to ensure the timely and successful commencement of the REM; and
- (h) All other transitory activities herein provided including those under Section 26 (Transitory and Other Provisions) of the RPS Rules shall apply to ensure the orderly, efficient and effective imposition of the REM Rules;

Section 6. Specific Provision for Mindanao and Off-Grid Areas. All Mandated Participants in Mindanao, in the absence of the commercial operation of the WESM, and in missionary areas served by NPC or its successors-in-interest, as well as NPPs and QTPs, shall submit relevant data as may be required by the RER to perform of its mandate under the RE Act, RE Act IRR and the REM Rules.

Section 7. Authority to File the Structure and Level of Transaction Fees. The PEMC, with the 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.

Section 8. RE Certificate Pricing. PEMC shall develop the RE Certificate (REC) Price Cap, which shall be approved by the ERC.

Section 9. Regulatory Support. Pursuant to its mandates under the Electric Power Industry Reform Act of 2001, the ERC shall provide all the necessary regulatory support for the implementation of the REM, including but not limited to RE price mitigation and resulting electricity prices arising from compliance of the Mandated Participants with the On-Grid and Off-Grid RPS Rules and the REM Rules.

Section 10. Reportorial Requirements. Every end of June following the year being reviewed, PEMC shall submit to the DOE its annual reports on the status and performance of the REM, and identify the gaps and policies needed to ensure the effective and efficient operation of the REM.

The DOE, however, may, at any time when the need arises, require updates and information from PEMC on the status and performance of the REM.

Section 11. Prohibited Acts. Pursuant to Section 35(e) of the RE Act, non-compliance with or violation of the REM Rules shall be subject to the administrative and/or criminal penalties herein provided.

Section 12. Penalty Clause. Consistent with Section 36 of the RE Act and its IRR, the DOE may impose the corresponding criminal and administrative liabilities for such acts, after notice and hearing, as are provided for under Section 11 hereof and in analogous cases.

Section 13. Information, Education and Communication (IEC) Activities. Pursuant to Section 31, Rule 10 of the RE Act IRR, the DOE, together with NREB and PEMC or its successors-in-interest, shall develop and implement a comprehensive IEC campaign for all Mandated Participants as well as for the electricity end-users and other stakeholders to ensure complete understanding and public awareness of the REM and these Rules.

Section 15. 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 16. Repealing Clause. All previous issuances, rules and regulations inconsistent with this Circular are hereby repealed, amended or modified accordingly.

Section 17. Effectivity. This Circular shall take effect fifteen (15) days after publication in at least two (2) newspapers of general circulation. Copies of this Circular shall be filed with the University of the Philippines Law Center-Office of the National Administrative Register.




ALFONSO G. CUSI
Secretary

DEC 04 2019

Issued on _____, at Energy Center, Rizal Drive,
Bonifacio Global City, Taguig City.