

**Detailed Description of the Capital Expenditures (CAPEX)
Component of the Transaction Fees for the Renewable
Energy Market (REM)**

SUMMARY:

CAPEX BUDGET REVENUE REQUIREMENT:	Development Phase (Amount in Millions PhP)	One-year Commercial Operation (Amount in Millions PhP)
Laptop Computers	0.560	---
Precision Air-conditioning Unit (PACU)	1.200	---
PREMS Software Modification	---	4.590
CAPEX Total	1.760	4.590

I. Description CAPEX on the Development of the REM

The budgetary requirements for CAPEX during the Development of the REM covers the cost for procuring terminals for the Renewable Energy (RE) Registrar’s access to the Philippine Renewable Energy Market System (PREMS) and which would also be utilized in the preparation of reports and other related outputs that are relevant in the preparatory activities by the RE Registrar.

The PACU will ensure that the PREMS servers will be housed in a data center with the prescribed operating temperature. Servers are designed to operate at a certain temperature range. Operating them outside this range will result into intermittent malfunctions and greatly shorten the working life of the PREMS servers.

The proposed CAPEX is shown in the table below.

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CAPEX Budget Revenue Requirement on Development				
Particulars	Unit/s	Cost Per Unit (PhP)	Cost (PhP)	Basis of Proposed Budget
1. Laptop Computer	7 units	80,000.00	560,000.00	Based on actual price of previous purchase
2. PACU	1 lot	1,200,000.00	1,200,000.00	Based on actual price
Total			1,760,000.00	

II. Description of CAPEX for the One-year Commercial Operations Budget

The proposed CAPEX covers the estimated expense to address any required development or upgrading of the PREMS to maintain regulatory and audit compliances.

The PREMS Software Modification expense is for the development and implementation of functional improvements and of additional features which were identified during the testing of the system, but which were out of scope in the PREMS Development Contract noting that the contract was under a grant by the United Nations Development Programme (“UNDP”) and which was entered into last December 2018. It will also be used in fixing the possible defects or implementation disparities from the REM Rules that may be discovered

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during the software certification audit that is required to be undertaken prior to commercialization of the REM in accordance with the REM Rules.

The proposed CAPEX for the One-year Commercial Operations of REM is shown in the table below.

CAPEX BUDGET REQUIREMENT ON ONE-YEAR COMMERCIAL OPERATION			
Particulars	Unit/s	Cost Per Unit (PhP)	Cost (PhP)
PREMS Software Modifications	1 unit	4,590,003.00	4,590,003.00
Total			4,590,003.00

The proposed budget is estimated to be 35% of the software cost of the PREMS. The 35% is based on the proportionate cost/value of the enhancements to the actual total cost of a prior IT systems project.

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