



REM Governance Committee 2021 Annual Report

January 2021 to December 2021

MARCH 2022

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 2021. The RGC also passed 6 resolutions in 2021 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 2021. This report likewise sets out the proposed activities of the RGC for the succeeding 2022.

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 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 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

Pursuant to REM Rules Clause 1.3.2, the RGC shall be made up of 5 members with the following composition, the member of which shall be appointed by the PEM Board²:

¹ Pursuant to REM Rules Clause 1.3.4.4

² Pursuant to REM Rules Clause 1.3.2.2

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 Former Dir. Peter L. Wallace,	July 2021 to present August 2020 – July 2021
2. One representative from the RE Registrar <i>*Currently PEMC</i>	Pres. Leonido J. Pulido III Former Pres. Oscar E. Ala	July 2021 to present January 2020 – July 2021
3. One representative from the Private DU	Mr. Lawrence S. Fernandez, MERALCO	April 2020 to present
4. One representative from the Electric Cooperative	GM 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

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

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 2021 ACCOMPLISHMENTS

3.1 REM Readiness Status Monitoring

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 Department of Energy (DOE) for its information, in compliance with the provision of the 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 REM Readiness Criteria were developed by PEMC and approved by the PEM Board in January 2020. These set of criteria were subsequently endorsed by PEMC to the DOE for the latter's approval. After having discussions with the DOE's Renewable Energy Management Bureau (REMB) in May 2020, PEMC submitted in that same month its Phased-In Implementation Plan for the RE Market as recommended by the DOE.

3.2 Proposed Amendment to the REM Rules

3.2.1 Proposed 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 seeks to amend TransCo's timeline for the submission of the data on FiT-Allocation from the currently prescribed 50 calendar days to 65 calendar days after the end of the WESM Billing Period. This is to provide 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, the RGC approved the proposal 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 it to the DOE, for final approval and promulgation. Public consultations are expected to be conducted by the DOE prior to its issuance of the Department Circular approving the proposal.

3.2.2 Proposed Amendment to the REM Rules on Obligations and REC Issuance

The Proposed 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 proposal seeks to modify, clarify, and refine 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 proposal was published in April 2021 to solicit comments of participants and interested parties and after the lapse of the publication period, was deliberated on by the RGC. After giving due course, 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 are expected to be conducted by the DOE prior to its issuance of the Department Circular approving the proposal.

3.2.3 Proposed Amendment to the REM Rules on Qualifying RPS Eligible Generation

The Proposed Amendment to the REM Rules on Qualifying RPS Eligible Generation was submitted by the Retail Electricity Suppliers Association (RESA) and was officially received by the RGC on 05 April 2021.

These proposed changes seek to revise certain rules on the issuance and distribution of Renewable Energy Certificates (REC), particularly with respect to RE generators, under Clauses 2.1.2 and 3.1 of the REM Rules.

The proposal was published in April 2021 to solicit comments of participants and interested parties. This, however, was withdrawn by Proponent RESA after clarifications were made in the course of the RGC deliberations.

3.3 Recommendations to the PEM Board Regarding IEMOP's Proposal on REM Operations

Following the directives from the PEM Board in January 2021, the RGC reviewed the IEMOP's proposal to operate the Renewable Energy Market (REM) at the start of its commercial operations, consulting both PEMC and IEMOP on the matter. During the review, the RGC viewed the proposal from the legal standpoint and likewise considered the activities that have been substantially undertaken by the RE Registrar in preparation for the REM commercial operations. After giving due course to the proposal of IEMOP, the RGC submitted its recommendation to the PEM Board to decline the proposal as embodied in the RGC Resolution No. RGC-RESO-2021-02, which was adopted by the PEM Board in April 2021 and endorsed to the DOE for the latter's appropriate action.

3.4 Review and Revisions to the RGC By-Laws Issue 1 and Adoption of RGC By-Laws Issue 2

The RGC reviewed the RGC By-Laws Issue 1 as approved by the PEM Board in April 2020. Upon its review, the RGC noted some revisions that needed to be reflected in the RGC By-Laws including, among other things, the adjustment in the timelines for the issuance of notices based on current practice, clerical, and other minor/general revisions. During the 20th Regular RGC Meeting, the RGC approved the revisions to the RGC By-Laws Issue 1 and adopted the RGC By-Laws Issue 2.0 through RGC Resolution No. RGC-RESO-21-05. The same was submitted to the PEM Board in January 2022 for its information.

4.0 ONGOING ACTIVITIES

4.1 Proposed Amendment to the REM Rules on the Additional Seats in the RGC

The Proposed 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 for one additional seat in the RGC intended for the Retail Electricity Suppliers (RES) to accord the sector a seat that is separate from that of the the REM Generators and to allow for equal representation of the concerns and interest of the RES.

After giving due course and with merits found on RESA's proposal, in the course of the RGC's deliberations on the matter, the body adopted RESA's proposal, but further proposed for a seventh seat representing the 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 equally represented in the Committee. This is consideration that the current seat occupied by PIPPA represent 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 the 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.

4.2 Annual Review of RE Market Participation Agreement

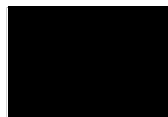
The current PEM Board-approved RE Market Participation Agreement, which is part of the requirement for registration in the REM, was published by the RGC in April 2021 to solicit comments of REM Participants. This agreement is under review together with the comments gathered during its publication, and is targeted for completion by end of Q2 2022.

5.0 RGC 2021 WORK PLAN

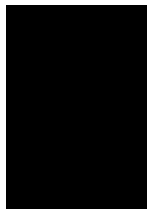
Annex A provides details of the RGC's proposed program of activities for 2022 consistent with PEMC's Corporate Strategic Plan for 2022-2024, which was approved by the PEM Board on 26 January 2022.

Submitted by:

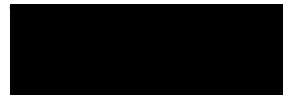
REM GOVERNANCE COMMITTEE



FORTUNATO C. LEYNES
Chairperson, Independent



LEONIDO J. PULIDO III
Member, RE Registrar



ANNE ESTORCO MONTELIBANO
Member, REM Generator and Supplier





RENE M. FAJILAGUTAN
Member, Electric Cooperative



LAWRENCE S. FERNANDEZ
Member, Private Distribution Utility

REM GOVERNANCE COMMITTEE 2022 WORK PLAN

Legend:

	Submission/Completion of Report
	Regular Activity

ACTIVITY		OUTPUT	2022			
			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				
		1.5 PEM Board-approved RE Registrar Performance Standards				
2	Initiate and propose a market development, enhancements, and governance plan	Study on the Applicability of Securities Regulation Code to the REM				
3	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				
4	Monitor Compliance of Participants	Summary of Investigation Reports; Recommendations on the penalties for non-compliances of REM Members				
5	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				