



REM GOVERNANCE COMMITTEE 2023 ANNUAL REPORT

January 2023 to December 2023

MARCH 2024

This Report is prepared by the
Philippine Electricity Market Corporation –
Market Assessment Department for the
REM Governance Committee

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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 functions over the REM under the supervision of the PEM Board and with the PEMC- Market Assessment Department as its primary support unit.

In adherence to its duties, the RGC hereby submits this Annual Report, covering the activities undertaken and accomplishments for 2023. This report likewise outlines the 2024 Work Plan of the RGC.

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 fulfills 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, as amended by DOE DC No. 2022-06-0026 dated 20 June 2022, the RGC shall be made up of 7 members with the following composition, the member of which shall be appointed by the PEM Board²:

Composition under the REM Rules	PEM Board-Appointed Member/Representative	Date of Appointment
1. One Independent member who shall be	Dir. Jesus L. Arranza	November 2023 to present

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
selected from the independent members of the PEM Board and who shall also act as the Chairperson	Dir. Fortunato C. Leynes	July 2021 to October 2023
2. One representative from the RE Registrar	Atty. Elvin Hayes E. Nidea	November 2022 to present
3. One representative from the Private DU	Mr. Lawrence S. Fernandez <i>Principal Member</i>	April 2020 to present
	Mr. Dennis S. Verallo <i>Alternate Member</i>	July 2023 to present
4. One representative from the Electric Cooperative	Mr. Rene M. Fajilagutan <i>Principal Member</i>	April 2020 to present
	Mr. Cristopher A. Dulfo <i>Alternate Member</i>	November 2023 to present
5. One representative from RE Developers with capacity of at least 5MW	Atty. Anne E. Montelibano <i>Principal Member</i>	June 2020 to present
	Mr. Christopher Kenneth S. Balabbo <i>Alternate Member</i>	September 2023 to present
6. One representative from REM Generators with capacity less than 5MW	Ms. Ma. Theresa C. Capellan <i>Principal Member</i>	January 2023 to present
	Atty. Jose M. Layug <i>Alternate Member</i>	January 2023 to present
	Mr. Jose Rommel C. Orillaza <i>Principal Member</i>	September 2022 to present

Composition under the REM Rules	PEM Board-Appointed Member/Representative	Date of Appointment
7. One representative from the Retail Electricity Suppliers	Atty. Rio Inocencio <i>Alternate Member</i>	September 2022 to present

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

DOE Representation	Name of Appointee	Position/Bureau
Main Observer	Mr. Edward V. Neri	Division Chief/ REMB- Technical Services Management Division (TSMD)
Alternate Observer	Mr. Jonathan B. Teodosio	Senior Science Research Specialist/ REMB- TSMD

3.0 2023 ACCOMPLISHMENTS

3.1 Monitoring of REM Interim Commercial Operations (ICOP)

Following Section 3 of the DOE Department Circular No. 2022-06-0019 entitled “Declaring the Renewable Energy Market Interim Commercial Operations”, the RGC has regularly discussed and provided inputs to the updates and status of the REM Implementation as reported by the RE Registrar. The specific tasks which the RGC monitored are detailed below:

3.1.1 REM Registration

To ensure the compliance of REM Participants with the REM Rules, the RGC provided recommendations to the DOE as regards the necessary actions for expected REM participants with no registration application as of 31 December 2022. Particularly the RGC requested the DOE to consider issuing show-cause letters to expected REM participants that are yet to submit their registration applications despite the repeated efforts by both the RE Registrar and the DOE in reminding the expected participants to register.

Relative to the foregoing, the RGC, in July 2023, recommended to the Energy Regulatory Commission (ERC) a review of its issuance guidelines of Certificate of Compliance (COC) to consider registration in the RE Market as a mandatory documentary requirement in the application process for COC of generation companies. The non-registration of some participants owning RPS Eligible RE Facilities may affect the REC issuance process that may result in the shortage of RECs. Hence, the RGC's recommendation was intended to ensure the active participation of all anticipated participants in the RE market.

3.1.2 REM Handbook

In September 2023 RGC meeting, the RGC discussed the REC adjustment process outlining three (3) distinct runs which includes Non-FiT, FiT and Voluntary Compliance mechanisms. In view of the various reportorial and process requirements in the REM, the RGC recommended having a REM Handbook that would summarize the processes and timelines requiring action from the Participants, for their reference and timely compliance.

3.2 Discussions on RE-Related Policies and Concerns

3.2.1 Issue on Double-Counting of RECs

In June 2023 RGC meeting, the RGC raised a concern regarding the absence of policies for non-RPS eligible RE facilities to also earn RECs and lack of guidance if they can be allowed to register in other REC registries like I-REC.

The RGC expressed concerns about the potential implications of the issue, especially its impact on small facilities. Most of small non-WESM registered embedded generators, given their size, are not required to register in the REM and if registered, the RECs are to the account of their host DU. Therefore, it is essential for these entities to be registered under the voluntary market regime.

The RGC then conducted a consultative meeting with the DOE to seek their plan about the voluntary REC market and/or registration of non-RPS eligible RE facilities in other REC registries outside the Philippines. As a result, the RGC recommended undergoing

a public consultation on the DOE policy to allow industry players the opportunity to provide feedback and comments on the policy.

3.2.2 Green Energy Auction Program (GEAP)

The RGC during its October 2023 meeting noted the information that the DOE was finalizing the draft DC intended to provide specific auction policy and guidelines for non-FiT eligible Renewable Technologies, particularly geothermal and impounding hydro for the GEAP Auction 3. For GEAP Auction 2.1, the DOE has set a target to auction the unsubscribed capacity of around 8,020 MW by 2024.

In view of the foregoing, the RGC inquired why geothermal and impounding hydro technologies were part of the auction pointing out that these technologies were not originally covered as emerging technologies in the Renewable Energy (RE) Law or even under FiT. They opined that the absence of clear legal basis may cause potential problems in the future.

The RGC's then suggested to first address any legal uncertainties regarding the eligibility of geothermal and impounding hydro to participate in the GEAP, particularly if these technologies are not recognized under the RE Law. Additionally, the RGC highlighted the challenge in terms of settlement due to the absence of entitlement in the FiT settlement. They recommended establishing an additional mechanism for settlement moving forward.

3.2.3 Allocation of RECs under the Green Energy Option Program (GEOP)

On 24 October 2023, the RE Registrar informed the RGC on the proposed allocation of RECs from GEOP, as approved by the Renewable Portfolio Standards Composite Team (RPSCT). The proposed methodology aims to comply with the GEOP Rules where the host Distribution Utility (DU) will receive the RECs of the GEOP-end user under its franchise area provided that the supply source is from the RPS eligible RE facility.

Based on the RPSCT-approved process, the RGC highlighted the importance of implementing triparty reconciliation and validation among concerned DU, Retail Electricity Supplier (RES), and RE Generator. In consideration of this, the RGC recommended that any proposed changes or movements related to REC allocation

from GEOP undergo a thorough review through the Rules Change proposal before implementation.

3.3 Amendment to RGC By-Laws Issue 2.0

On 20 June 2022, the Department of Energy (DOE) promulgated the Department Circular No. DC2022-06-0026 entitled adopting Amendments to the Renewable Energy Market (REM) Rules, which was published on 12 August 2022 at Business World and Daily Tribune. The Department Circular amended the composition of the RGC, with additional seats for REM Generators and RES. In view of the promulgated Department Circular, the RGC initiated the review of its By-Laws to reflect the changes.

The proposed revision seeks to move Section 4 -Composition and Appointments to a new Section 9 and specified the seats for Small REM Generator and RES. Additionally, the revision clarified the term Ex-officio Member appointed to fill in a vacancy result from the relinquishment of the predecessor member. Such ex-officio for re-appointment for up to several terms as may be allowed by the PEM Board.

Upon the Committee's review and after deliberation during the 37th Regular RGC Meeting conducted on 28 March 2023, the RGC adopted the RGC By-Laws Issue 3.0 with the foregoing revisions.

3.3 RGC Meetings

In accordance with the REM Rules Clause 1.3.3 pertaining to voting rights and meetings, the RGC has held a total of 12 meetings in 2023. These include ten (10) virtual and two (2) face-to-face meetings conducted on a regular monthly basis. With its existing members, the RGC consistently adheres to the determination of the quorum in every meeting, ensuring the effectiveness and productivity of each session.

4.0 RGC 2024 WORK PLAN

Annex A provides details of the RGC's proposed activities for 2024 consistent with PEMC's Corporate Strategic Plan for 2024-2026.

Submitted by:

REM GOVERNANCE COMMITTEE

[signed]

JESUS L. ARRANZA
Chairperson, Independent

[signed]

ELVIN HAYES E. NIDEA
Member, RE Registrar

[signed]

ANNE ESTORCO E. MONTELIBANO
Member, Big REM Generator

[signed]

RENE M. FAJILAGUTAN
Member, Electric Cooperative

[signed]

LAWRENCE S. FERNANDEZ
Member, Private Distribution Utility

[signed]

JOSE ROMMEL C. ORILLAZA
Member, Retail Electricity Supplier

[signed]

MA. THERESA C. CAPELLAN
Member, Small REM Generator

REM GOVERNANCE COMMITTEE 2024 WORK PLAN

Legend:  Submission/Completion of Report
 Regular Activity

ACTIVITY		OUTPUT	Remarks	2024			
				Q1	Q2	Q3	Q4
Goal 1: Provide a Reliable and Transparent REM Through Effective and Efficient Governance							
Objective 2. Efficient Monitoring of REM Operations							
1	Govern the REM Operations	Inputs/suggestions on the regular REM Implementation Status Report by the RE Registrar					
2	Finalize the Proposed RER Performance Standards in consultation with IEMOP	RGC Resolution Approving the Proposed RER Performance Standards					
3	Audit of the RER and PREMS Enhancements by PEMC Internal Audit Department	Provide inputs/recommendations on the audit activity/results					
4	Approve the REM Participant Handbook	Inputs/suggestions and approval of the REM Participant Handbook developed by the RGC Secretariat					
Objective 2: Availability of Adequate Support to the PEM Board, WESM Governance Committees, and REM Governance Committee							
5	Conduct of regular and urgent/special meetings	Approved Minutes of Meetings; resolutions Resolution, as required					

ACTIVITY		OUTPUT	Remarks	2024			
				Q1	Q2	Q3	Q4
6	Submit 2023 RGC Annual Report and 2024 Work Plan to the PEM Board	2023 RGC Annual Report and 2024 RGC Work Plan submitted to the PEM Board by March 2023					
7	Review of RGC By-Laws	Updated RGC By-Laws					
4	Facilitate submission of Sectoral Certifications	Sectoral Certifications submitted to the RGC/PEM Board					
Objective 8. Responsive Market Rules and Manuals							
8	Assess proposed amendments to Market Rules and Manuals Initial list of proposals to be submitted by RER: 1. REM Rules amendments 2. REM Rules Change Manual(new) 3. RPS Reporting Manual (new) 4. REM Registration Manual (for updating)	RGC Resolutions on rules change proposals submitted to the PEM Board Presentation to the Board Review Committee and PEM Board meetings					
Goal 2: Support Initiatives and programs for the Energy Sector Through Compliance with Policy and Regulatory Directives							
9	Continuing Market Development Initiatives: Undertake Initiatives for the Development of the Voluntary REM (VREM)	Inputs/suggestions on the ETP's Study on Voluntary Renewable Energy Certificate Market in the Philippines, as scheduled	Contingent on ETP's Schedule and work plan				

ACTIVITY		OUTPUT	Remarks	2024			
				Q1	Q2	Q3	Q4
Goal 3: Achieve Organizational Excellence							
Objective 6: Continuing Improvement in the Delivery of Service to Internal and External Clients							
10	Survey on the provision of technical and administrative support to the RGC	Response to survey on Committee Support by PEMC					
11	Participate in activities related to ISO 37000:2021 - Governance of Organizations Training / Certification Attendance to trainings/discussions and	Attendance to trainings/discussions and provide inputs, as requested by PEMC					