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DEPARTMENT CIRCULAR NO. DC 2013-05-0009

GUIDELINES FOR THE SELECTION PROCESS OF RENEWABLE ENERGY PROJECTS UNDER FEED-IN TARIFF SYSTEM AND THE AWARD OF CERTIFICATE FOR FEED-IN TARIFF ELIGIBILITY

WHEREAS, Section 7 of the Republic Act No. 9513 or the Renewable Energy Act of 2008 (the "Act") mandates the establishment of a feed-in tariff system (FIT System) for electricity produced from wind, solar, ocean, run-of-river hydropower and biomass;

WHEREAS, pursuant to Section 5 of the Department Circular No. DC2009-05-008 or the Rules and Regulations Implementing Republic Act No. 9513 (the "IRR"), electric power industry participants are obligated to source electricity from FIT eligible RE generation at a guaranteed fixed price for a given period of time to be determined by the Energy Regulatory Commission (ERC);

WHEREAS, in its Resolution No. 16, Series of 2010 entitled "Resolution Adopting the Feed in Tariff Rules" (the "FIT Rules"), the ERC set the duration of FIT at twenty (20) years to eligible On-Grid RE plants;

WHEREAS, on 27 July 2012, ERC issued Resolution No. 10, Series of 2012 approving the FIT rates and equivalent degression rates for all RE technologies entitled to FITs except Ocean, which in relation to the approved installation targets, are as follows:

RE Technology	FIT Rate (PhP/kWh)	Degression Rate	Installation Target (MW)
Wind	8.53	0.5% after 2 years from effectivity of FIT	200
Biomass	6.63	0.5% after 2 years from effectivity of FIT	250
Solar	9.68	6% after 1 year from effectivity of the FIT	50
Run-of-River Hydropower	5.90	0.5% after 2 years from effectivity of FIT	250

WHEREAS, while the Department Circular No. DC2009-007-0011 or "Guidelines Governing a Transparent and Competitive System of Awarding Renewable Energy Service/Operating Contracts and Providing for the Registration Process of Renewable Energy Developers" (the "RESC Guidelines") prescribes for the conversion of Renewable Energy Service Contract (RESC) from Pre-Development Stage to Development Stage, it does not include specific requirements on the FIT eligibility of RE projects in relation to the approved installation targets;

NOW THEREFORE, the DOE hereby issues this Circular to complement the RESC Guidelines in the event the RE Developer applies for FIT eligibility.

Section 1. Title and Scope. This Circular shall be known as the "Guidelines for the Selection Process of RE Projects under Feed-in Tariff System and the Award of Certificate for Feed-in Tariff Eligibility."

This Circular shall cover only those RE plants that will be in Commercial Operation after the effectivity of the Act.

Section 2. Definition of Terms. Any terms cited herein shall have the same meaning as provided in the Act, its IRR and the RESC Guidelines, unless otherwise specifically defined below:

- a. **"Certificate of Confirmation of Commerciality"** shall refer to the certificate issued by the DOE confirming the Declaration of Commerciality by an RE Developer;
- b. **"Commercial Operation"** shall refer to the phase of RE development when the RE Developer has completed its commissioning and test operations and is ready to sell or apply its produced energy, as duly confirmed by the DOE;
- c. **"Electromechanical Completion"** shall mean that the whole plant including all substation and other facilities for grid or distribution system connection is in place but not yet connected and the RE project is ready for commissioning;
- d. **"Declaration of Commerciality"** shall refer to a written declaration by the RE Developer, duly confirmed by the DOE Secretary, stating that the project is commercially feasible;
- e. **"FIT System"** shall mean the operation of an RE Plant under the approved FIT rate within the established installation target;

- f. **“Renewable Energy Service Contract (RESC)”** shall refer to the service agreement between the Government, through the DOE, and RE Developer over a period in which the RE Developer has the exclusive right to a particular RE area for exploration and development. The RESC shall be divided into two (2) stages: the pre-development and the development/commercial stage. The preliminary assessment and feasibility study up to financial closing shall refer to the Pre-Development Stage. The construction and installation of facilities up to operation phase shall refer to the Development Stage;
- g. **“RE Developer”** shall refer to individual/s or juridical entity created, registered and/or authorized to operate in the Philippines in accordance with existing Philippine laws and engaged in the exploration, development or utilization of RE resources and actual operation of RE systems/facilities;
- h. **“RE Operating Contract”** shall refer to the service agreement between the Government, through the DOE, and an RE Developer for the utilization of RE resources in the Development Stage, including actual operation of RE systems/facilities;
- i. **“Successful Commissioning”** shall mean that the RE project is now physically connected to the Grid in case of Grid Connected RE project or to the Distribution Network in case the RE Project is embedded and delivering power to the transmission system;
- j. **“Work Plan”** shall mean the work commitments of an RE Developer for a period of five (5) years under the Development Stage with corresponding cost estimate and shall specify the date of commissioning and Commercial Operation of the project following the template (Annex A).

Section 3. Pre-Qualification Stage.

- a. **Who may apply** - only those RE Developers with valid and subsisting RESCs may apply for the eligibility and inclusion of their project under the FIT System.
- b. **How to apply** - RE Developers shall indicate in their application for conversion of RESC from Pre-Development Stage to Development Stage that their Declaration of Commerciality is based on the approved FIT rate. Holders of RESCs under Development Stage, or those covered under an

RE Operating Contract, may apply for FIT eligibility provided that it shall include in its submission a notarized proof and/or declaration that the project is not bound under any contract to supply its generated energy to any Distribution Utility (DU) or consumer in accordance with Section 1.4 of the FIT Rules.

- c. **Requirements** - For the purpose of issuing Certificate of Confirmation of Commerciality under the FIT System, the RE Developer shall submit a Declaration of Commerciality of the RE project based on the approved FIT rate and a Work Plan.

Section 4. Evaluation Process.

- a. The DOE shall complete the processing of the Declaration of Commerciality under the FIT System within thirty (30) working days from receipt thereof.
- b. The RE Developer shall be responsible in securing other regulatory requirements and the necessary permits in relation to its obligations under the RE Guidelines and the provisions of the RESC consistent with its Work Plan.

Section 5. Confirmation of Commerciality under the FIT System.

- a. Projects that have complied with the requirements for conversion from Pre-Development Stage to Development Stage under FIT System shall be issued a Certificate of Confirmation of Commerciality which shall serve as notice to proceed to the construction phase under the Development Stage.
- b. The Certificate of Confirmation of Commerciality shall likewise be issued to projects under Development Stage and those covered by RE Operating Contracts that are intended to be implemented under the FIT System.
- c. Upon issuance of the Certificate of Confirmation of Commerciality, the DOE may issue an endorsement to the National Grid Corporation of the Philippines (NGCP) for the conduct of requirements for interconnection such as Grid Impact Study and Interconnection Agreement, if applicable:

Section 6. Issuance of Certificate of Endorsement for FIT Eligibility.

- a. The RE Developer shall inform the DOE that it has attained the Electromechanical Completion of the project to which the latter shall, within fifteen (15) working days from receipt thereof, conduct a site validation and inspection of the project including the interconnection facility.
- b. Electromechanical Completion is deemed attained if the construction phase is at least eighty percent (80%) completed as may be determined from the RE Developer's Engineering, Procurement and Construction (EPC) contract or construction and development timeline under the approved Work Plan.
- c. Not later than fifteen (15) working days from the last day of site validation, the DOE shall issue the confirmation or denial of the Electromechanical Completion, including the existence of interconnection facility.
- d. In the event the DOE confirms Electromechanical Completion of the project, it shall, within a period of five (5) days from the issuance thereof, nominate the eligibility of the project under the FIT system to the Energy Regulatory Commission (ERC) for the processing of Certificate of Compliance (COC) under FIT System, provided that the interconnection facility is fully in place. The DOE nomination to the ERC shall not be construed as giving right to the RE Developer to be included in the FIT eligible projects.
- e. The RE Developer shall inform the DOE on the date of Successful Commissioning of RE Plant which shall then be duly validated by the DOE. In the event the DOE validates the Successful Commissioning, it shall, within fifteen (15) working days from the date thereof, issue a Certificate of Endorsement (COE) for FIT Eligibility to ERC on a first-come-first-serve basis.
- f. The DOE shall issue the COE for FIT Eligibility until the maximum installation target per technology is fully subscribed. The COE shall indicate the installed capacity that will be eligible for the FIT rate and the actual date of Commercial Operation.
- g. Only RE Developers holding Certificate of Confirmation of Commerciality shall be issued COE for FIT Eligibility.

Section 7. Full Subscription of Installation Target.

- a. In the event that the installation target is fully subscribed based on the issued COE for FIT Eligibility, the RE Developer shall notify the DOE of its option which may include:
 - i. Enter into a bilateral agreement with DU or any off-taker; and
 - ii. Export the power generation directly to Wholesale Electricity Spot Market (WESM), subject to the guidelines on "must-dispatch."
- b. After the issuance of Certificate of Confirmation of Commerciality covering the cumulative installation target of a particular technology, the DOE in coordination with the National Renewable Energy Board (NREB), shall initiate the review of the next installation target.
- c. RE plant that operates under any of the above options may be issued COE for FIT Eligibility for the next succeeding regimes of FIT System subject to the provisions of the FIT Rules.

Section 8. Posting and Monitoring.

- a. The DOE shall maintain a monitoring board in its website to show status of FIT Eligibility implementation.
- b. A weekly update shall be made on the conversion of projects from Pre-Development to Development Stage and/or issuance of Certificate of Confirmation of Commerciality under FIT System and the subsequent issuance of COE for FIT eligibility.
- c. The DOE shall conduct a periodic site inspection of RE projects with Certificate of Confirmation of Commerciality and shall post their status on the monitoring board on a monthly basis.

Section 9. Non-Retroactivity. This Circular shall not apply to RE plants with approved tariff rates or those with pending applications filed for approval by the ERC before the effectivity of this Circular.

Section 10. Repealing Clause. The provisions of DC2009-07-011 and all other circulars, issuances and declarations by the DOE that are inconsistent with the provisions of this Circular are hereby repealed accordingly. All other provisions of existing circulars, issuances and declarations by the DOE and such parts not affected shall remain in full force and effect.

Section 11. Separability Clause. If for any reason, any provision of this Circular is declared unconstitutional or invalid, such parts not affected shall remain in full force and effect.

Section 12. Effectivity. This Circular shall take into effect immediately following its publication in at least two (2) newspapers of general circulation and shall remain in effect until otherwise revoked.

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



CARLOS JERICO L. PETILLA
Secretary



IN REPLYING PLS CITE:
SOE-JLP-13002526



MAY 28 2013

Project Name
 Project Location
 RESC No. xxxx-xx-xxx
 FIVE-YEAR WORK PLAN

ACTIVITIES	Milestone (mm/yyyy)	Year 1				Year 2				Year 3				Year 4				Year 5				Financial Commitment (PhP)				
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	Year 1	Year 2	Year 3	Year 4	Year 3
A. Pre-Construction Stage																										
1. Any permits not acquired prior to DOC																										
2. EPC Contract Negotiation and Signing																										
3. Submission of EPC and Work Schedule to DOE																										
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B. Construction Stage*																										
1.	Start of Construction																									
2.	Electromechanical Completion																									
3.	Full Completion of Construction																									
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C. Post-Construction Stage																										
1.	Project Commissioning																									
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D. Operation & Maintenance																										
1.	Commercial Operation																									
2.																										
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		TOTAL COMMITMENT																								

* Must conform with EPC Work Schedule.

Prepared by:

 Authorized Representative
 Designation, Company

Noted by:

 Official of the Company
 Designation, Company