

## **Position Paper on The Green Energy Pricing Program in the Philippines**

**April 2020**

*For the Department of Energy's (DOE) call for comments and inputs on the draft Department Circular entitled, "Promulgating the Rules and Guidelines Governing the Green Energy Auction Program [GEAP] in the Philippines".*

The Center for Energy, Ecology, and Development (CEED) is a think-do institution that conducts research and advocacy, and partners with communities in advancing transformative energy, ecological justice, and people-centered development. CEED, with reservations, supports DOE's effort to promote the utilization of renewable energy through the issuance of Rules and Guidelines Governing the Green Energy Auction Program (GEAP), also called the Green Energy Rules. The Institution recognizes progressive elements of the GEAP which:

- Sets a new policy for the Department that favors indigenous renewable energy over a technology neutral policy;
- Empowers renewable energy developers and stakeholders, and promotes a selection process under a competitive landscape;
- Ensures market viability of renewable energy and commercial viability of electricity generated; and
- Facilitates the integration of renewable energy capacity into the grid.

For the Department's consideration, CEED elaborates on the following points:

1. **CEED welcomes the GEAP as an initiative that goes beyond policy mechanisms provided in the Renewable Energy Law.** The green energy auction facilitates the competitive selection process for supply contracting from qualified renewable energy projects, a mechanism that is not encompassed by the Renewable Energy Law. This initiative shows the DOE's intention to advance renewable energy in the power sector.
2. **The auction will significantly increase competitiveness among market players, resulting to lower electricity prices and higher share of renewable energy in the power mix.** The Philippines has one of the most expensive electricity prices in Asia, majority of which are sourced from fossil fuels. A competitive auction solely for renewable energy technologies will not only increase competitiveness among renewable energy players and lower the price of electricity but also increase the share of renewable energy in the power mix.
3. **The auction should include capacity from both dispatchable and variable renewable energy sources.** This is an opportunity to explore whether dispatchable renewable energy sources can already offer competitive prices to meet baseload demand, while increasing the grid's capacity to absorb variable renewable energy sources.
4. **The auction should ensure flexibility in entertaining submissions by allowing bundled capacity, to allow the participation of small players.** CEED recommends that the

auction set a low threshold for the minimum bid of capacity, which will allow the bundling of capacity from smaller bids until the volume of energy requested is met. This will allow small players to participate in the auction, encourage more competition, and avoid monopolies.

5. **An independent third-party institution should administer the green energy auction process.** In light of the Supreme Court's decision declaring null and void anomalous power supply agreements among generation companies and distribution utilities, it is important that transparency and impartiality of the auction process is upheld. CEED echoes the Institute for Energy Economic and Financial Analysis' recommendation for a third-party institution to be responsible for the auction. The third party should have representation from the government, the private sector, and consumers with terms that extend beyond the cycle of presidential administrations. In the case of the Philippines may be the Independent Electricity Market Operator of the Philippines (IEMOP).<sup>i</sup>
6. **While the GEAP may be designed to facilitate compliance with the RPS, CEED urges the DOE to raise its ambitions for renewable energy capacity targets by excluding the 2 GW auction from the coverage of the Renewable Energy Portfolio Standards (RPS).** A decade after the enactment of the Renewable Energy Law, renewable energy's share in the power mix has further decreased. In order to reach the Paris Agreement goals, it is critical to raise ambitions.

One way that to raise ambitions is to hold green energy auctions starting at 2 GW under the GEAP, which will be counted on top of the RPS requirements from distribution utilities. Meanwhile, distribution utilities can comply with their RPS requirements by simply issuing terms of references (TORs) specifically catered to for renewable energy capacity. Under the Rules for RPS, this will increase at least 1% incremental annually starting on 2020.

7. **CEED recommends that the use of the green energy auction to facilitate the installation of distributed, renewable energy resources systems or microgrids.** The DOE, in partnership with NEA, can use the same auction process for distributed, renewable energy resources systems to open-up competitive auctions for off-grid supply. This will fast-track electrification initiatives and lower expected costs while benefiting from new and appropriate renewable energy technologies adept to certain geographic locations.

The DOE's initiative towards promoting the utilization and development of renewable energy through GEAP is commendable. Its impacts could be much greater than expected if applied beyond the RPS.

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<sup>i</sup> Institute for Energy Economics and Financial Analysis, Paying Less for More – How Auctions Can Transform the Philippines Power Sector, February 2020.

## ABOUT CEED

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