

Republic of the Philippines
ENERGY REGULATORY COMMISSION
San Miguel Avenue, Pasig City

RESOLUTION NO. 06, SERIES OF 2020

**A RESOLUTION APPROVING THE ADJUSTMENT TO THE
FEED-IN TARIFF (FIT)**

WHEREAS, it is the policy of the state to accelerate the exploration and development of renewable energy resources, and increase its utilization by providing fiscal and non-fiscal incentives; and establish the necessary infrastructure and mechanisms;

WHEREAS, Section 7 of Republic Act No. 9513 (R.A. 9513), entitled "An Act Promoting the Development, Utilization and Commercialization of Renewable Energy Resources and for Other Purposes" otherwise known as the Renewable Energy Act of 2008 and Section 5 of its Implementing Rules and Regulations (IRR), mandate the Energy Regulatory Commission (ERC), in consultation with the National Renewable Energy Board (NREB), to promulgate, within one (1) year from effectivity of the Act, the Feed-in Tariff (FIT) System;

WHEREAS, on 12 July 2010, the ERC promulgated Resolution No. 16 Series of 2010, adopting the Feed-In Tariff Rules (FIT Rules), as amended by Resolution No. 15, Series of 2012, promulgated on 19 November 2012;

WHEREAS, Section 2.10 thereof stated that the ERC shall adjust the FIT annually for the entire period of its applicability to allow pass-through of local inflation and foreign exchange (FOREX) rate variations;

WHEREAS, such adjustment shall employ a simple benchmarking indexation formula to apply to all technologies¹;

WHEREAS, Section 5 of the FIT Rules likewise provided for the mechanism to determine the FIT Rate;

WHEREAS, in ERC case No. 2011-006 RM, the FIT Rates per renewable energy technology was determined; and Resolution No. 10,

¹ Section 2.10, ERC Resolution No. 16, Series of 2010, Feed-In Tariff Rules (FIT Rules)



Series of 2012 entitled Resolution Approving the Feed-In Tariff Rates, was issued by the Commission;

WHEREAS, the initial FIT Rates per RE technology are as follows:

	ERC-APPROVED FIT RATE (Php/kWh)	ERC-APPROVED DEGRESSION RATE
WIND	8.53	0.5% after year 2 from effectivity of FIT
BIOMASS	6.63	0.5% after year 2 from effectivity of FIT
SOLAR	9.68	6.0% after year 1 from effectivity of FIT
HYDRO	5.90	0.5% after year 2 from effectivity of FIT

WHEREAS, the Commission, in computing for the above FIT Rates, used the Discounted Cash Flow (DCF) Model, as proposed by NREB, and as contained in its Decision in ERC Case No. 2011-006 RM;

WHEREAS, the DCF Model already incorporated the FIT Adjustment Formula as provided in Section 2.10 of the FIT Rules;

WHEREAS, the Commission, in its Decision in ERC Case No. 2011-006 RM stated that:

“The Commission validated NREB’s DCF model and its underlying inputs and assumptions and found the same to be acceptable and consistent with the FIT Rules. NERA Economic Consulting, an independent consultant commissioned by the Asian Development Bank (ADB), to conduct an analysis of the feed-in tariff proposal of NREB, also tested the DCF model used by NREB by coming out with an independent calculation using the same parameters assumed by NREB. The resulting FIT in NERA’s test model is identical to the FIT in the DCF model of NREB. Moreover, PricewaterhouseCoopers Services LLP, in its report produced for the ADB, stated that the discounted cash flow model used by NREB is consistent with the methodologies used in other jurisdictions. The Commission took note of the findings of these experts in its validation of NREB’s proposed model for calculating the FITs per technology.”

WHEREAS, if the FIT Adjustment formula was not incorporated in the DCF model, the resulting FIT rates would have been the following:

RE TECHNOLOGY	ERC-APPROVED FIT RATES (Php/kWh)	FIT RATES WITHOUT ADJUSTMENT FORMULA (Php/kWh)
Wind I	8.53	9.21
Solar I	9.68	10.55
ROR Hydro	5.90	7.15
Biomass	6.63	6.70
Wind II	7.40	7.75
Solar II	8.69	9.00

WHEREAS, in its Decision in ERC Case No. 2011-006 RM, it was provided that *“the payment of the approved FIT rates to the eligible RE Developers shall commence upon the effectivity of the Feed-in Tariff Allowance (FIT-All), which shall be determined by the Commission at a later date after due proceedings thereon.”*

WHEREAS, it was only on 16 December 2013, that the Commission issued Resolution No. 24, Series of 2013, entitled A Resolution Adopting the Guidelines on the Collection of the Feed-in Tariff Allowance (FIT-All) and Disbursement of the FIT-All Fund (FIT-All Guidelines);

WHEREAS, the FIT-All Guidelines provides for the guidance on the determination and computation of the FIT-All, and the procedure for the collection and disbursement of the FIT-All Fund to the eligible RE Developers;

WHEREAS, guided by the FIT-All Guidelines, the National Transmission Corporation (TRANSCO) filed the initial (2014-2015) FIT-All Application on 30 July 2014;

WHEREAS, the said application was provisionally approved by the Commission in its Order dated 7 October 2014 and promulgated on 28 October 2014, with the FIT-All rate set at Php 0.0406 kW/h, and which became effective in the January 2015 billing for all On-Grid electricity consumers;

WHEREAS, consistent with the effectivity of the Order dated 7 October 2014, TRANSCO began collecting the FIT-All charge in January 2015;

WHEREAS, the provisionally approved FIT-All rate at Php 0.0406 kW/h was made permanent by the Commission in its Decision dated 29 September 2015, promulgated on 10 December 2015;

WHEREAS, since its implementation, no adjustments had been made to the FIT to date;

WHEREAS, on 22 February 2018, the Market Operations Service-Renewable Energy Division (MOS-RED) presented a study previously conducted by the ERC Renewable Energy-Technical Working Group (RE-TWG); wherein the Commission directed the MOS-RED to conduct further study of the formula and compute for the adjustment per RE technology;

WHEREAS, on 19 July 2019, the Wind Energy Association of the Philippines (WEDAP) and the Developers Renewable Energy for Advancement, Inc. (DREAM) filed Motions for the Implementation of the Adjustment of the Feed-In Tariff Rates;

WHEREAS, on 01 October 2019, the MOS-RED presented to the Commission the options for the implementation of the FIT adjustment;

WHEREAS, the Commission resolved to compute for the FIT Adjustment using the formula as provided under the FIT Rules:

$$Adjustment = \left\{ z \times \frac{RPCI_n}{RPCI_o} \right\} + \left\{ y \times \frac{FEA_n}{FEA_o} \right\}$$

Where:

Z	percentage share of local capital
Y	percentage share of foreign capital
RPCI _n	the arithmetic average of the monthly values of the Republic of the Philippines Consumer Price Index for the 12 calendar months immediately preceding the 6 calendar months immediately preceding the Adjustment Date as published by the National Statistic Coordination Board of the Philippines in http://wwnscb.gov.ph
RPCI _o	the arithmetic average of the monthly values of the Republic of the Philippines Consumer Price Index, base period calendar year 2009, which is 160
FEA _n	the arithmetic average of the month-end reference rates between the Philippine peso and the US Dollar for 12 calendar months immediately preceding the 6 calendar months immediately Preceding the Adjustment Date as published by the Treasury Department of the Bangko Sentral ng Pilipinas



FEA _o	the arithmetic average of the month-end reference rates between the Philippines Peso and the US Dollar for the calendar year 2009 which is 47.8125.
Adjustment Date	January 1 of year n

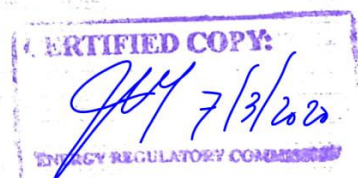
WHEREAS, the Commission used the 2012 rebased values with derived CPI values of 2009 from Bangko Sentral ng Pilipinas and with available values up to 2018 for the RPCPI_o;

WHEREAS, the Commission derived the FEA_o using the arithmetic average of the month-end reference rates between the Philippine Peso and the US Dollar for the calendar years 2009 and 2014;

WHEREAS, the adjustment to the FIT rates, using the formula as provided under the FIT Rules, with 2009 as the base year, are as follows:

Technology		2014	2015		2016	2017
			(Yr 1 Entrant)		(Yr 2 Entrant)	(Yr 3 Entrant)
Biomass	2014-2015		6.6300			
	2016		7.0035		6.6300	
	2017		7.1966		7.0035	6.5969
	2018		7.4533		7.1966	6.9686
	2019		7.7657		7.4533	7.1607
	2020		8.0391		7.7657	7.4161
ROR Hydro	2014-2015		5.9000			
	2016		6.4069		5.9000	
	2017		6.5496		6.4069	5.8705
	2018		6.7645		6.5496	6.3749
	2019		7.0389		6.7645	6.5168
	2020		7.3055		7.0389	6.7306
Solar			Solar 1	Solar 2		
	2014-2015		9.6800	8.6900		
	2016		9.8609	8.7093	8.6900	
	2017		10.2036	9.0366	8.7093	
	2018		10.6068	9.4071	9.0366	
	2019		11.0703	9.8248	9.4071	
	2020		11.4210	10.1226	9.8248	
Wind			Wind 1	Wind 2		
	2014-2015		8.5300	7.4000		
	2016		8.8500	7.4195		
	2017		9.1252	7.6725		
	2018		9.4679	7.9730		
	2019		9.8731	8.3202		
Bangui 1 & 2	2014-2015	5.9600				
	2016	6.1836				
	2017	6.3759				
	2018	6.6153				
	2019	6.8985				
	2020	7.1294				

WHEREAS, considering that the actual implementation and full operations of the FIT System began in January 2015, the



Commission, directed the MOS-RED to compute for the FIT Adjustment using the 2014 base year;

WHEREAS, the use of the 2014 base year is in line with the manifestation of the Developers for Renewable Energy Advancement (DREAM), an umbrella organization of renewable energy associations, namely: Biomass Renewable Energy Alliance (BREA), Philippine Solar and Storage Energy Alliance (PSSEA), National Geothermal Association of the Philippines (NGAP), Confederation of Solar Developers in the Philippines (CSDP), Belle Pirie Power Corporation (Ocean), PhilHydro Association, Inc. (PhilHydro) and Wind Energy Developers Association (WEDAP) in its Supplemental Motion dated 7 February 2020, where they proposed to the use of 2014 as the base period calendar year for the CPI and FOREX;

WHEREAS, the resulting FIT rates using the 2014 base year are as follows:

Technology		2014	2015		2016	2017
			(Yr 1 Entrant)		(Yr 2 Entrant)	(Yr 3 Entrant)
Biomass	2014-2015		6.6300			
	2016		6.6502		6.6300	
	2017		6.8539		6.6502	6.5969
	2018		7.1097		6.8539	6.6170
	2019		7.4132		7.1097	6.8197
	2020		7.6629		7.4132	7.0742
ROR Hydro	2014-2015		5.9000			
	2016		5.9218		5.9000	
	2017		6.0710		5.9218	5.8705
	2018		6.2798		6.0710	5.8922
	2019		6.5392		6.2798	6.0406
	2020		6.7772		6.5392	6.2484
Solar			Solar 1	Solar 2		
	2014-2015		9.6800	8.6900		
	2016		9.7015	8.7093	8.6900	
	2017		10.0661	9.0366	8.7093	
	2018		10.4788	9.4071	9.0366	
	2019		10.9441	9.8248	9.4071	
	2020		11.2758	10.1226	9.8248	
Wind			Wind 1	Wind 2		
	2014-2015		8.5300	7.4000		
	2016		8.5525	7.4195		
	2017		8.8442	7.6725		
	2018		9.1905	7.9730		
	2019		9.5907	8.3202		
Bangui 1 & 2	2014-2015	5.9600				
	2016	5.9757				
	2017	6.1795				
	2018	6.4215				
	2019	6.7011				
	2020	6.6156				

WHEREAS, the application of the 2009 base year in determining the amounts/adjustments will have a significant impact on the electricity bills of the consumers as opposed to the application of the 2014 base year;



WHEREAS, considering that Section 9.1 of the FIT Rules provides that, where good cause appears, the ERC may allow an exemption from any provision of these Rules, if such is found to be in the public interest and is not contrary to law or any other related rules and regulations;

WHEREAS, the adjusted rates for Biomass and Run-of-River Hydro plants which are eligible for years 2018 and 2019 will be released once decided by the Commission;

NOW THEREFORE, the Commission, after thorough and due deliberation, hereby **RESOLVES**, as it is hereby **RESOLVED**, to **APPROVE** and **ADOPT**, FIT adjustments, for the years, 2016, 2017, 2018, 2019 and 2020 using 2014 as the base year for the CPI and FOREX and to be recovered for a period of five (5) years. It is **FURTHER RESOLVED** the use of 2014 as the base year for the CPI and FOREX in succeeding adjustments.

Technology`		2014	2015	2016	2017
		(Yr 1 Entrant)		(Yr 2 Entrant)	(Yr 3 Entrant)
Biomass	2014-2015	6.6300			
	2016	6.6502		6.6300	
	2017	6.8539		6.6502	6.5969
	2018	7.1097		6.8539	6.6170
	2019	7.4132		7.1097	6.8197
	2020	7.6629		7.4132	7.0742
ROR Hydro	2014-2015	5.9000			
	2016	5.9218		5.9000	
	2017	6.0710		5.9218	5.8705
	2018	6.2798		6.0710	5.8922
	2019	6.5392		6.2798	6.0406
	2020	6.7772		6.5392	6.2484
Solar		Solar 1	Solar 2		
	2014-2015	9.6800	8.6900		
	2016	9.7015	8.7093	8.6900	
	2017	10.0661	9.0366	8.7093	
	2018	10.4788	9.4071	9.0366	
	2019	10.9441	9.8248	9.4071	
	2020	11.2758	10.1226	9.8248	
Wind		Wind 1	Wind 2		
	2014-2015	8.5300	7.4000		
	2016	8.5525	7.4195		

Technology`		2014	2015	2016	2017
		(Yr 1 Entrant)		(Yr 2 Entrant)	(Yr 3 Entrant)
	2017	8.8442	7.6725		
	2018	9.1905	7.9730		
	2019	9.5907	8.3202		
	2020	9.8976	8.5864		
Bangui 1 & 2	2014-2015	5.9600			
	2016	5.9757			
	2017	6.1795			
	2018	6.4215			
	2019	6.7011			
	2020	6.6156			

This Resolution shall take effect fifteen (15) days after its publication in a newspaper of general circulation in the country.

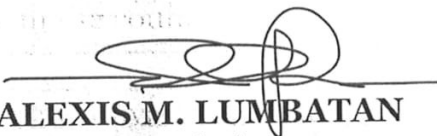
Let copies of this Resolution be furnished the University of the Philippines Law Center – Office of the National Administrative Register (UPLC-ONAR) and all parties concerned.

Pasig City, 26 May 2020.


AGNES VST DEVANADERA
 Chairperson and CEO




JOSEFINA PATRICIA A. MAGPALE-ASIRIT
 Commissioner


ALEXIS M. LUMBATAN
 Commissioner

(took no part)
CATHERINE P. MACEDA
 Commissioner


PAUL CHRISTIAN M. CERVANTES
 Commissioner

MOS: JJMG/JCC/CLB/SOM