

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



RESOLUTION NO. 24, SERIES OF 2013

**A RESOLUTION ADOPTING
THE GUIDELINES ON THE COLLECTION OF THE
FEED-IN TARIFF ALLOWANCE (FIT-ALL) AND THE
DISBURSEMENT OF THE FIT-ALL FUND**

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

WHEREAS, in order to accelerate the development of emerging RE resources, the Energy Regulatory Commission (ERC) is mandated under Republic Act No. 9513 or the Renewable Energy Law (RE Law) to formulate and promulgate the feed-in tariff system, in consultation with the National Renewable Energy Board (NREB);

WHEREAS, pursuant to the said mandate, on 12 July 2010, the ERC promulgated Resolution No. 16, Series of 2010 adopting the Feed-in Tariff Rules (FIT Rules), which was amended through Resolution No. 15, Series of 2012 on 19 November 2012;

WHEREAS, Section 2.5 of the FIT Rules provides that consumers who are supplied with electricity through the distribution or transmission network shall share in the cost of the FITs in part through a uniform charge to be referred to as the Feed-in Tariff Allowance or the FIT-All;

WHEREAS, Section 2.6 of the FIT Rules further provides that proceeds from the imposition of the FIT-All shall be remitted based

on the more detailed guidelines to be established by the NREB and approved by the ERC;

WHEREAS, on 16 April 2012, the NREB submitted its proposed Guidelines on the Collection of the Feed-in Tariff Allowance (FIT-All) and the Disbursement of the FIT-All Fund (“Guidelines”) for the approval of the ERC where the latter subjected the same to public consultation;

WHEREAS, in a Decision dated 27 July 2012, the ERC approved the initial FITs for electricity generated from biomass, run-of-river hydropower, solar and wind energy resources;

WHEREAS, after several revisions and a series of public consultations, the NREB resubmitted its revised draft Guidelines on 19 December 2012;

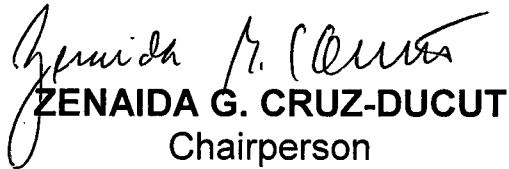
WHEREAS, after consideration of the comments submitted by interested parties, the ERC deems it appropriate to adopt and implement the Guidelines on the Collection of the Feed-in Tariff Allowance (FIT-All) and the Disbursement of the FIT-All Fund;

NOW THEREFORE, the ERC, after thorough and due deliberation, hereby **RESOLVES**, as it is hereby **RESOLVED**, to **APPROVE** and **ADOPT**, the “**Guidelines on the Collection of the Feed-in Tariff Allowance (FIT-All) and the Disbursement of the FIT-All Fund**”, hereto attached as **Annex “A”** and made an integral part hereof.

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, 16 December 2013.


ZENAIDA G. CRUZ-DUCUT
Chairperson


ALFREDO J. NON
Commissioner


GLORIA VICTORIA C. YAP-TARUC
Commissioner


JOSEFINA PATRICIA A. MAGPALE-ASIRIT
Commissioner

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Guidelines on the Collection of the Feed-in Tariff Allowance (“FIT-All”) and Disbursement of the FIT-All Fund

Overview

These Guidelines consist of the following Sections:

1. FIT-All Determination
2. Collection of the FIT-All and Administration of the FIT-All Fund
3. Disbursements of the FIT-All Fund
4. Roles of Stakeholders
5. Transitory Provisions
6. Definitions

1. FIT- All Determination

1.1. Feed-in Tariff - Concept and Basis

Pursuant to the renewable energy development policy mandated by the RE Law and outlined in more detail in the Feed-in Tariff (FIT) Rules, a Renewable Energy (RE) Developer who (i) elects to participate in the Feed-in Tariff System, and (ii) whose RE Plant meets the qualifications under the FIT Rules, and such other eligibility guidelines promulgated by the Energy Regulatory Commission (ERC) and the Department of Energy (“DOE”), shall be eligible to a **Feed-in Tariff (“FIT”)**, which is a **guaranteed payment in Philippine Peso per kilowatt-hour (“Php/kWh”)** for electricity generated from emerging renewable energy technologies and actually delivered to the transmission and/or distribution network, as metered at the high-voltage side of the step-up transformer at the **Eligible RE Plant** side, excluding any generation for its own use, for the duration specified in the FIT Rules and as clarified further by these Guidelines.

Should the payment of the FIT to Eligible RE Plants require a differential above the prevailing cost recovery rate for eligible RE Generation actually delivered, then a uniform charge will be determined and collected by the National Transmission Corporation (“TransCo”) as the Fund Administrator, from all On-Grid connected Consumers. This uniform charge created under Section 2.5 of the FIT Rules, shall be called the **Feed-in Tariff Allowance (“FIT-All”)** and is described in more detail below.

1.2. FIT-All as a Uniform Charge

In accordance with Section 2.6 of the FIT Rules, the FIT-All shall be a separate uniform charge, in Php/kWh, that is calculated annually, in accordance with Sections 1.3 and 1.4 of these Guidelines. The FIT-All is then applied to each kilowatt-hour billed to Consumers who are supplied with electricity through the distribution or transmission network, for all On-Grid areas in the Philippines.

1.3. Annual FIT-All Determination

1.3.1. Main Components of the FIT-All

The FIT-All shall be equivalent to:

$$FIT - All = \frac{FD + WCA + AA + DA}{FNS}$$

Where:

	Description
FIT-All	is the Feed In Tariff Allowance to be implemented in Year t+1 in Php/kWh, as provided for in the FIT Rules and these Guidelines.
FD	is the estimated Total FIT Differential required for Year t+1 in Php, and as further described in Section 1.4.1 of these Guidelines.
WCA	is the estimated Working Capital Allowance required for Year t+1 in Php, and as further described in Section 1.4.2 of these Guidelines.
AA	is the Administration Allowance to be implemented in Year t+1 in Php, and as further described in Section 1.4.3 of these Guidelines.
DA	is the Disbursement Allowance to be implemented in Year t+1 in Php, and as further described in Section 1.4.3 of these Guidelines.
FNS	is the Forecast National Sales , in kWh, to be applied for Year t+1 and as further described in Section 1.4.4.2 of these Guidelines.
t	is the year the petition for setting the FIT-All is filed with the ERC.
t+1	is the year following t.

1.4. Components of the FIT-All

1.4.1. Total FIT Differential (Php)

The FIT Differential is represented by the following formula:

$$FD = \left[\sum_x \left(\text{Forecast RE Gen}_{x,t+1} \left(\text{Forecast FIT Rate}_{x,t+1} - \text{Forecast Cost Recovery Rate}_{x,t+1} \right) \right) \right] + FD_{t-1}, (over) / under$$

where:

	Description
Forecast RE Gen_{x,t+1}	is the Forecast RE Generation of Eligible RE Plant x, (in kWh) and as further described in Section 1.4.4.1 of these Guidelines. For purposes of forecasting, the Administrator shall include, as of time of filing by the Administrator for the FIT-All, Eligible Plants with Commercial Operations Date in the relevant year as declared in its Declaration of Commerciality Certificate.
Forecast FIT Rate_{x,t+1}	is the FIT Rate, as degressed (if applicable) and adjusted for local inflation and foreign exchange (FOREX) as forecasted for Year t+1 under Section 1.4.1.1 below, in Php/ kWh, that Eligible RE Plant x is forecasted to receive for each kWh delivered.
Forecast Cost Recovery	is the applicable Forecast Cost Recovery Rate to be implemented in Year t+1 for Eligible RE Plant x, in Php/ kWh,

Rate x_{t+1}	as determined under Sections 1.4.1.2.1 and 1.4.1.2.2.
FD $t-1$, (over)/ under	is the variance between the actual FIT Differential for year t-1 (Actual FD t-1) and the FIT Differential collected for year t-1 (Collected FD t-1). There is over recovery if Collected FD t-1 > Actual FD t-1 and under recovery if Collected FD t-1 < Actual FD t-1. Any over recovery shall be reflected as a negative number and any under recovery shall be reflected as a positive number.

1.4.1.1. Forecast FIT Rate (Php/kWh)

The forecast FIT Rate refers to the prevailing ERC-approved and published schedule of rates in Php/kWh for each emerging renewable energy technology, as degressed by the relevant degression rates, if applicable, and adjusted for local inflation and foreign exchange (FOREX), in accordance with Section 2.10 of the FIT Rules, and applied to year t+1 for each emerging renewable energy technology, and other factors as may be specified in separate ERC resolution/s promulgated from time to time.

1.4.1.2. Forecast Cost Recovery Rate Dependent on Market Settlement Regime

The manner by which the Forecast Cost Recovery Rate ("FCRR") is forecasted and applied to a particular Eligible RE Plant shall be based on whether or not the Eligible RE Plant operates in a Grid where the Wholesale Electricity Market Corporation (WESM) is operational.

A. WESM is Operational

An Eligible RE Plant operating in a Grid where the WESM is operational must be a direct WESM participant in accordance with the WESM Rules, whether such Eligible RE Plant is: (i) physically and directly connected to the Grid; or (ii) connected to the Grid through a distribution system ("Eligible RE Plant-WESM").

B. WESM is Not Operational

An Eligible RE Plant operating where WESM is operational (i.e., Mindanao) shall either be (i) physically and directly connected to the Grid; or (ii) connected to a distribution system. Regardless of the physical connection, the Eligible RE Plant must enter into a Renewable Energy Supply Agreement ("RESA"), the template of which shall be issued by the ERC, with a host DU stipulating that the host DU shall accept and pay for all Actual RE Generation of the Eligible RE Plant ("Host DU"), based on the applicable Actual Cost Recovery Rate as provided and further described in Section 2.2 ("Eligible RE Plant-Non-WESM").

1.4.1.2.1. Computation of the Applicable Forecast Cost Recovery Rate (FCRR): WESM Operational

Where WESM is operational, the FCRR (in PhP/ kWh) expressed as "**Forecast Cost Recovery Rate WESM in year t+1**" or $FCRR_{WESM,t+1}$, for the Eligible RE Plants-WESM shall be equivalent to the average monthly system Ex-Ante Load Weighted Average Price (LWAP) of the WESM for the Luzon and Visayas grids

for the thirty-six (36) months immediately preceding the filing of the application for the setting of the FIT-All. The average monthly system Ex-Ante LWAP shall be computed using a reasonable averaging method acceptable to the Commission.

1.4.1.2.2. Computation of the Applicable Forecast Cost Recovery Rate (FCRR): WESM Non-Operational

Eligible RE Plants where the WESM is non-operational (i.e., Mindanao) shall be treated as follows: the FCRR (in PhP/ kWh) to be applied for such Eligible RE Plants-Non-WESM shall be the weighted average of the generation cost of the Host DU from all its other generation sources, excluding generation from any Eligible RE Plant-Non-WESM with an existing RESA with the Host DU, for the nearest twelve (12) months preceding the filing of the application for the setting of the FIT-All. When the WESM becomes operational in Mindanao, all Eligible RE Plants-Non-WESM shall be deemed to be Eligible RE Plants-WESM and Section 1.4.1.2.1 shall be applied.

1.4.2. Working Capital Allowance

As provided for in Section 2.5 of the FIT Rules, there shall be collected as part of the charge of the FIT-All, an amount to serve as a buffer for working capital requirements to address any **default or delay** in the collection and/or remittance of the FIT-All and/or Actual Cost Recovery Revenue (“Working Capital Allowance” or “WCA”), and including, but not limited to:

- (i) Variations between the actual and forecasted (a) RE Generation from Eligible RE Plants resulting from over- and under- generation, (b) Annual National Sales and (c) Cost Recovery Revenues;
- (ii) The timing difference of the collection and billing cycle for the FIT-All and Actual Cost Recovery Revenue; and
- (iii) Any other collection or payment shortfall.

The WCA shall guarantee monthly payments in full to the Eligible RE Plants, as determined in accordance with Section 3 of these Guidelines. The WCA shall be set on an annual basis. The WCA required to be available at the beginning of a year $t+1$ shall be equivalent to the Forecast Annual Payout for the year $t+2$ multiplied by a pre-determined Factor Rate, as described below, and adjusted for the WCA ending balance as of year t . In order to maintain the WCA level required at the start of the year, the same should be fully collected by the end of the previous year.

The determination of the WCA amount for collection is expressed as:

$$WCA_{t+1} = (\text{Forecast Annual Payout}_{t+2} \times \text{Factor Rate}) - WCA_{\text{Ending Balance } t}$$

Where:

WCA _{t+1}	Is the Working Capital Allowance to be funded during Year t+1
Forecast	Is the projected amount of payables out of the FIT-All Fund for

Annual Payout $t+2$	year $t+2$ consisting of forecasted Total FIT Revenues, forecasted Administration Allowance and forecasted Disbursement Allowance for Year $t+2$. The forecasted Total FIT Revenues for Year $t+2$ is the sum of the product of the Forecast RE Generation of Eligible RE Plant _x for Year $t+2$ multiplied by the appropriate FIT rate _x for Year $t+2$. The forecasted Administration Allowance for Year $t+2$ is the Administration Allowance for Year $t+1$, less any non-recurring expenditures such as those relating to the initial filing of the FIT-All, adjusted for forecast CPI for Year $t+2$. The forecasted Disbursement Allowance for Year $t+2$ is the projected level of payment to the Trustee Bank in year $t+2$.
WCA Ending Balance t	Is the ending balance of the Working Capital Allowance account in Year t including any interest income earned in the WCA account and all other component accounts of the FIT-All Fund; if this is not available at the time of filing, the ending balance for the month immediately preceding the month of filing, subject to updating by the ERC of the actual ending balance of the WCA account in Year t if it shall become available prior to the issuance of its Decision on the FIT-All application.
Factor Rate	Is the factor rate approved by the ERC, upon recommendation of the NREB, reflective of funding requirements of the FIT-All Fund, adjusted by (i) a period factor based on the billing and collection cycle of the Collection Agents as described in these Guidelines; and (ii) the collection efficiencies of Collection Agents. Data for the initial year shall be sourced from the Power Sector Assets & Liabilities Management Corporation ("PSALM") for its collection of the Universal Charge. Data for succeeding years shall be based on FIT-All historical collection efficiency rate.

During any quarter of the year, should the Administrator determine that the WCA account has been depleted by more than fifty percent (50%) of the WCA balance at the beginning of each Calendar Year, the Administrator shall filed an application with the ERC for such adjustment. Conversely, the Administrator shall apply for the reduction of the WCA if during any quarter of the year, the WCA account be equivalent to at least one hundred fifty percent (150%) of the WCA balance at the beginning of the year, except during the initial year of implementation when the WCA is still being built up. The adjustment will take into account the balance of the WCA account at the end of the quarter.

The application for the adjustment shall be approved by the ERC within ninety (90) days from filing, and any such adjustment in the WCA shall adjust the FIT-All annually set, effective at the beginning of the next succeeding quarter. Should no adjustment be approved, or in case of any delay in the approval thereof, the current level set in the quarter ("WCA_{t+1}") shall continue to be applied, and shall remain in full force and effect at the beginning of the succeeding quarter, until the final resolution of the application for adjustment, unless otherwise ordered by the ERC.

For the avoidance of doubt, any adjustment on the WCA component of the FIT-All shall take effect only at the beginning of each quarter.

1.4.3. Administration Allowance and Disbursement Allowance

To defray expenses of the Administrator in connection with the performance of its functions as FIT-All Fund Administrator (“Administration Allowance”), the FIT-All shall also take into account the Administrator’s administration costs, as provided for in Section 2.5 of the FIT Rules. The Administration Allowance for year $t+1$ shall be set based on an annual budget proposed by the Administrator adjusted for (i) the over- or under-payments to the Administrator for year $t-1$, and (ii) the variance between (x) the actual Administration Allowance approved by ERC for year $t-1$, and (y) the Administration Allowance collected for year $t-1$ (Collected AA_{t-1}). There is over-recovery if the Collected AA_{t-1} is greater than the ERC approved AA_{t-1} and under-recovery if the Collected AA_{t-1} is less than actual ERC-approved AA_{t-1} . Any over-recovery shall be deducted from the Administration Allowance for year $t+1$ and any under-recovery shall be added to the Administration Allowance for year $t+1$. Payment to the Administrator shall be made monthly based on one-twelfth ($1/12$) of the annual budget approved by the ERC, as adjusted for the over- or under-payments to the Administrator for year $t-1$, or on a pre-approved schedule of release based on the cash flow requirements of the Administrator.

To defray standard administrative costs in establishing and managing the actual collections for and disbursements of the FIT-All Fund and all other monetary collections authorized by the FIT Rules (“Disbursement Allowance”), a similar fee may be charged by the designated Trustee of the FIT-All Fund in accordance with the Trust Agreement entered into with the Administrator under such terms to be approved by the ERC. Such fee, as allowed by the ERC, shall be adjusted for the variance between (x) the Actual Disbursement Allowance for year $t-1$ (Actual DA_{t-1}), and (y) the Disbursement Allowance collected for year $t-1$ (Collected DA_{t-1}). There is over-recovery if Collected DA_{t-1} is greater than Actual DA_{t-1} and under-recovery if Collected DA_{t-1} is less than Actual DA_{t-1} . Any over-recovery shall be deducted from the Disbursement Allowance for year $t+1$ and any under-recovery shall be added to the Disbursement Allowance for year $t+1$. Payment to the Trustee shall be made monthly based on one-twelfth ($1/12$) of the annual Trustee Fee approved by the ERC.

1.4.4. Other Parameters Used in Determining the FIT-All

1.4.4.1. Forecast RE Generation (kWh)

As provided for in Section 2.5 of the FIT Rules and Section 1.4.1 of these Guidelines, the Total FIT Revenue shall take into account the forecast annual generation of all Eligible RE Plants, with Commercial Operations Date in the relevant year, as declared in their respective Declaration of Commerciality Certificate.

For new Eligible RE Plants, the Forecast RE Generation shall be equivalent to its nameplate rating in kilowatts multiplied by 8,760 hours per year, multiplied by the expected annual capacity factor of the Eligible RE Plant, as approved by the ERC as part of the Eligible RE Plant’s application requirements for the issuance of a Certificate of Compliance (COC).

For Eligible RE Plants that have already been in Commercial Operation for at least one (1) year, the Forecast Annual RE Generation shall be equivalent to the RE Plant's nameplate rating in kilowatts multiplied by 8,760 hours per year, multiplied by average historical capacity factor for the number of years (or fraction thereof) in Commercial Operation. For this purpose, the nameplate ratings shall refer to that specified by the ERC in the COCs issued to these Eligible RE Plants.

1.4.4.2. Forecast National Sales (kWh)

The Forecast National Sales refers to an estimated total kilowatt-hours of electricity billed to Consumers who are supplied with electricity in all **On-Grid** areas in the Philippines for a given year.

The Forecast National Sales, in kWh, shall be equivalent to the latest available Electricity Sales as stated in the Power Statistics, excluding Utilities Own Use and Power Losses, or otherwise as certified by the DOE, and as adjusted by the latest three (3) year average historical growth rate published for the immediately preceding three (3) years. It shall be computed as follows:

$$FNS = Net\ Electricity\ Sales \times (1 + Historical\ Growth\ Rate)$$

1.5. Application and Approval of the Annual FIT-All

1.5.1. Procedure

Except for its initial setting, the FIT-All_{t+1} shall be determined and approved by the ERC on an annual basis no later than October 31 of the current calendar year (Year t). The application for the setting of the annual FIT-All_{t+1} shall be filed by Administrator no later than July 31 of the same year. The FIT-All_{t+1} so approved shall be applied to the succeeding calendar year.

The application shall be supported by data from the past twelve (12) months from date of filing, or such other period specified in these Guidelines. The ERC hereby authorizes the Administrator to request and secure from the DOE, National Grid Corporation of the Philippines ("NGCP"), PEMC, PSALM, National Electrification Administration ("NEA"), Eligible RE Plants, Metering Services Providers, DUs and Retail Electricity Suppliers ("RES"), and such entities are enjoined to provide, the data and information as required by these Guidelines for the Administrator to complete and file the application for approval of the FIT-All in a timely manner. The application must clearly state the following, among others, and shall comply with the ERC's Rules of Practice and Procedure and the FIT Rules:

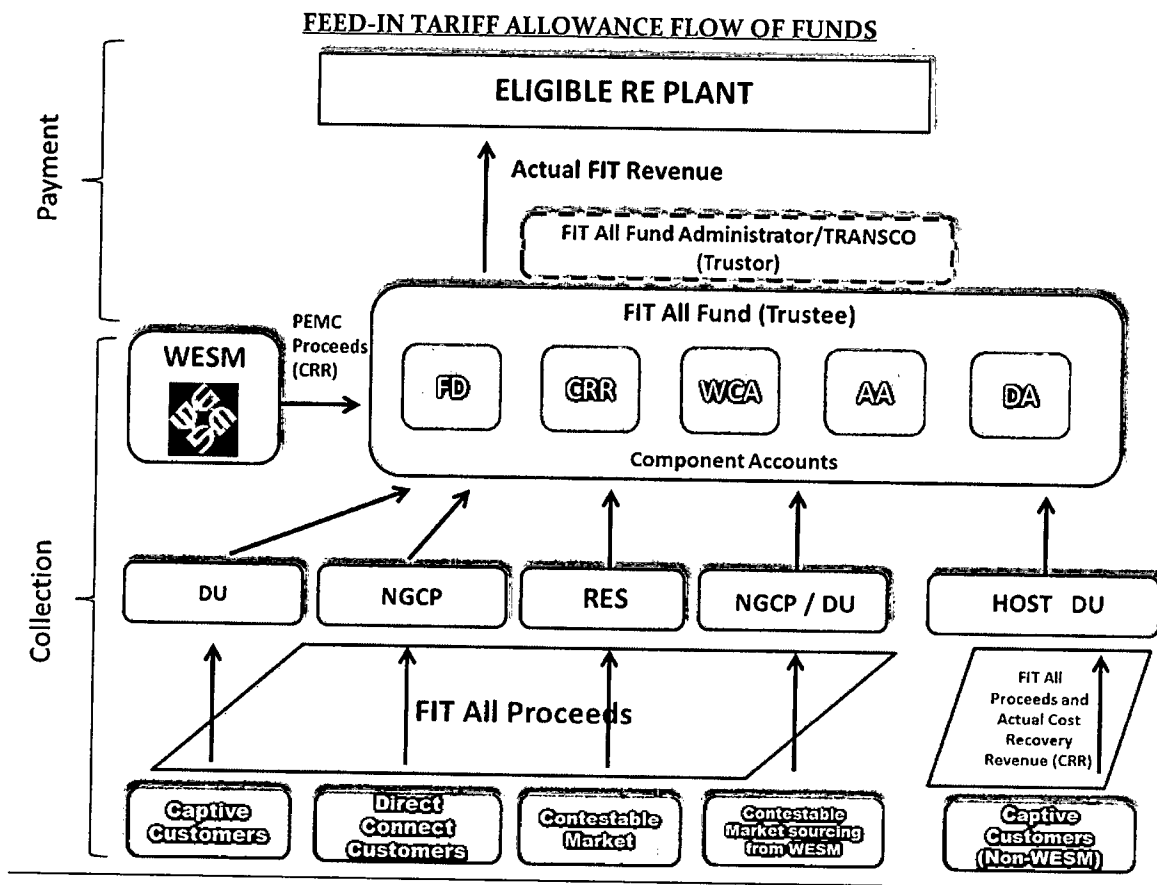
- (i) Forecast National Sales;
- (ii) WESM prices and applicable Forecast Cost Recovery Revenues for Eligible RE Plants-Non-WESM;
- (iii) Forecast Annual RE Generation; and
- (iv) Other factors are provided in these Guidelines.

Upon the determination by the ERC of the new FIT-All to be applied for the succeeding year, the new FIT-All shall be applied from date specified by the ERC and collected from the beginning of the next billing cycle of the Collection Agents.

If due to exceptional circumstances, the FIT-All applied for is not resolved in time for implementation in the succeeding year, the current applicable FIT-All shall carry over to the succeeding year and remain in full force and effect until the final resolution of the application, unless otherwise ordered by the ERC.

2. Collection of the FIT-All and Administration of the FIT-All Fund

The diagram below illustrates the flow of funds for the collection of the FIT-All and the Actual Cost Recovery Revenue and disbursement of the FIT-All Fund.



As stated in Section 2.5 of the FIT Rules, all On-Grid Consumers who are supplied with electricity through the transmission or distribution network, shall share in the cost of the Feed-in Tariff, in part, through a uniform charge and applied to all billed kilowatt-hours.

Further, Section 2.6 of the FIT Rules provides that the FIT All shall be collected: (i) by the NGCP with respect to Consumers who are directly connected to its system, including directly-connected contestable customers which source directly from the WESM; (ii) by the various DUs from their respective captive Consumers who are connected to their systems, as well as contestable customers

which remain with the DU and those connected to the DU systems which source directly from the WESM; and (iii) by Retail Electricity Suppliers from the contestable market.

The FIT-All collected from all On-Grid Consumers shall be remitted to the FIT-All Fund established and administered by the Administrator as Trustor, which collections shall be kept by a government financial institution designated as the Trustee of the FIT-All Fund, for the sole and exclusive benefit of the Eligible RE Plants as Beneficiaries, except in respect of the Administration Allowance and Disbursement Allowance.

The FIT-All Fund shall have the following **components**: FIT Differential (FD), Cost Recovery Revenue (CRR) for Actual Cost Recovery Revenues, Working Capital Allowance (WCA), Administration Allowance (AA) and Disbursement Allowance (DA).

2.1. Details on the Establishment and Management of the FIT-All Fund

2.1.1. FIT-All Fund

Immediately upon effectivity of these Guidelines, and in any case prior to the start of any collection of the FIT-All, the Administrator shall establish and maintain the FIT-All Fund, in the form of special discretionary trust accounts corresponding to each component of the FIT-All Fund, with a Government Financial Institution as Trustee.

These component trust accounts shall be maintained in Philippine Pesos, and all collections, remittances, payments and disbursements to and therefrom shall likewise be made in Philippine Pesos.

The establishment and management of the FIT-All Fund and its components shall be further governed by a trust agreement to be executed between TransCo as Administrator and the Trustee, which trust agreement shall conform to the requirements of these Guidelines.

2.1.2. Administration of the Trust Account

2.1.2.1. Nature of the Trust Accounts

The FIT-All Fund shall be held entirely in trust by the Trustee for the sole and exclusive benefit of the Eligible RE Plants, except in respect of the Administration Allowance and Disbursement Allowance. Legal title to all amounts deposited in the FIT-All Fund shall be vested in the Trustee.

No person other than the Eligible RE Plants shall have any rights as the beneficiaries of or as third party beneficiaries of the FIT-All Fund under these Guidelines, except the Administrator and the Trustee in relation to the Administration Allowance and Disbursement Allowance, respectively. In no case shall any part of the corpus or income of the FIT-All Fund be used for or diverted to purposes other than for the exclusive benefit of the Eligible RE Plants, except to the extent allowed under these Guidelines.

Neither the Administrator nor any other person shall open any other account or establish any other mode for the purpose of collecting the FIT-All and the ACRR and disbursing from the FIT-All Fund. No charge, lien, or any encumbrance whatsoever on the FIT-All Fund shall be created or permitted.

The Eligible RE Plant, however, may assign the Actual FIT Revenue due to it to banks or financial institutions for purposes of securing financing, and the Administrator shall be authorized under such assignment to pay the Actual FIT Revenue of the assigning Eligible RE Plant, as these become due, to the assignee banks or financial institution.

The FIT-All Fund shall not form part of the assets of the Administrator or any person other than the designated Trustee. The funds deposited with the Trustee shall not be commingled with other funds of the Administrator and may be disbursed only in accordance with these Guidelines and the Trust Agreement/s entered into for that purpose. Similarly, the Administrator shall not be made to pay out its own funds for any liability of the FIT-All Fund that may arise in the performance of its function as the Administrator.

2.1.2.2. Powers and Authorities of the Trustee

The amounts deposited in the FIT-All Fund from time to time, including all interests accrued thereon, shall be managed, received, maintained and disbursed with due diligence and prudence, and in absolute fidelity to the trust reposed in the Trustee for the purpose.

The Trustee shall be authorized to collect, receive and disburse, promptly and fully, the funds pertaining to the FIT-All Fund in accordance with the Trust Agreement/s.

The Trustee shall keep and maintain separate books of accounts and other accounting records of all placements, receipts, and disbursements of the FIT-All Fund and shall be open for inspection and audit by the Administrator, NREB, ERC and the Eligible RE Plants at reasonable hours during Business Days.

The Trustee shall not assign its rights and obligations under the Trust Agreement/s.

2.2. Flow of FIT-All Funds

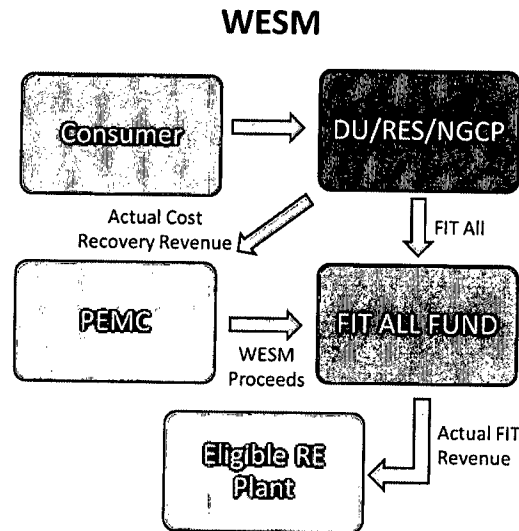
All Eligible RE Plants shall receive their entire applicable **Actual FIT Revenue** from the Administrator, irrespective of the source or amount of the FIT-All and Actual Cost Recovery Revenue collected and/or remitted by the Collection Agents. All Eligible RE Plants shall enter into a Renewable Energy Payment Agreement (REPA) with the Administrator for the payment of the FIT, the template of which shall be issued by the ERC.

The payment for the Actual FIT Revenue is sourced from the FIT-All Fund, specifically (i) the FD account for the Actual FIT Differential, and (ii) the CRR account for the Actual Cost Recovery Revenue. The "**Actual FIT Differential**" is the difference between the Actual FIT Revenue and the Actual Cost Recovery Revenue for the relevant Billing Period. The "**Actual**

Cost Recovery Revenue or **“ACRR”** is the amount of cost recovery revenue actually due to the Eligible RE Plant and billed by the relevant Collection Agent to the Consumers for the same Billing Period, as provided in this Section, which amount shall be the product of the (a) Actual RE Generation multiplied by (b) the applicable cost recovery rate of the WESM or the Host DU, as may be applicable. For the avoidance of doubt, WESM proceeds as ACRR shall be determined and settled in accordance with the usual WESM pricing and settlement methodologies.

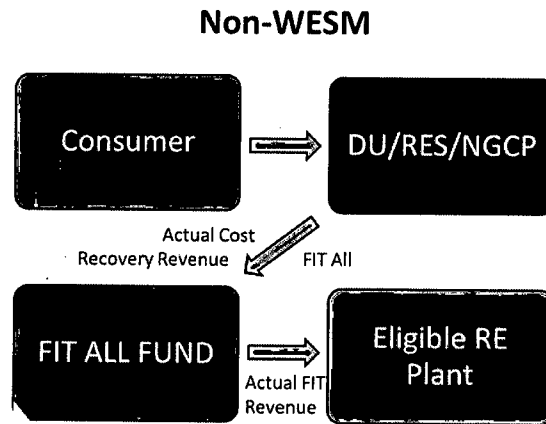
For the Eligible RE Plant-WESM, the ACRR shall be the WESM Proceeds of the Eligible RE Plant-WESM that have been remitted by the PEMC to the FIT-All Fund for the relevant Billing Period, based on the Actual RE Generation of the Eligible RE Plant-WESM for the same Billing Period.

For Eligible RE Plants-WESM that are connected to a DU system, any Actual RE generation, which cannot be absorbed by the DU where it is connected, shall be delivered to the Grid, subject to the payment of applicable wheeling fees by the Eligible RE Plant-WESM with the DU. For the avoidance of doubt, no wheeling charges shall be paid for actual renewable energy generation that is physically absorbed by a distribution utility, whether WESM or non-WESM.



For the Eligible RE Plants-Non-WESM, the ACRR to be paid by the Host DU to the Eligible RE Plant-Non-WESM shall be the product of (A) the Actual RE Generation for the relevant Billing Period, multiplied by (B) the weighted average of the generation charge of the Host DU for the same Billing Period from all its other generation sources, excluding generation from any other Eligible RE Plant-Non-WESM which has entered into a RESA with the Host DU. The ACRR shall be collected from all Consumers connected to the Host DU and shall be paid into the FIT-All Fund, for proper disbursement to the Eligible RE Plant as part of the Actual FIT Revenue. The Host DU and the Eligible RE Plant-Non-WESM shall enter into a RESA for the Actual Cost Recovery Revenue, the template of which shall be issued by the ERC. The Host DU and the Eligible RE Plant-Non-WESM shall further agree on the dispatch protocol to optimize the dispatch for the Actual RE Generation. For avoidance of doubt, the RESA shall not be considered a bilateral agreement for the sale and purchase of electricity which would disqualify the Eligible RE Plant-Non-WESM from availing of the FIT, and is merely a mechanism for the

collection of the ACRR. An Eligible RE Plant-Non-WESM may enter into RESAs with more than one Host DU if its entire Actual RE generation cannot be absorbed by one Host DU, subject to the wheeling agreement of the Eligible RE Plant-Non-WESM with the Host DU, if any.



2.2.1. Details of the Collection Process

2.2.1.1. Background of the Collection Process

The following entities are mandated to collect and remit the FIT-All and/or the Actual Cost Recovery Revenue (each a “Collection Agent”):

- a. **Distribution Utilities** collecting the FIT-All and ACRR from their captive consumers and contestable customers which remain with the DU and those connected with the DU system which source directly from the WESM;
- b. **Retail Electricity Suppliers** collecting the FIT-All from their contestable customers;
- c. **National Grid Corporation of the Philippines**, collecting the FIT-All from captive consumers that are directly connected to its system and from directly connected contestable customers which source directly from the WESM;
- d. **Philippine Electricity Market Corporation**, collecting the WESM Proceeds as ACRR of Eligible RE Plants-WESM from the relevant WESM participants.

The FIT-All shall be included in the billing statements of the relevant Collection Agents as a separate line item imposed on and collected from their respective Consumers. The FIT-All shall be paid in full by all Consumers and shall not be included in the computation of the franchise tax or income tax of the relevant Collection Agent, and any discounts granted by the DU, RES, or NGCP.

The relevant ACRR of Eligible RE Plants shall be billed and shall form part of the generation charge of the relevant Collection Agent. For Eligible RE Plants-WESM, the WESM Proceeds as ACRR shall be determined and paid in accordance with the WESM billing and settlement procedures, and remitted by the customers to PEMC, which shall be responsible for remitting the same to the FIT-All Fund. For Eligible RE Plants-Non-WESM, the weighted average cost of generation of the Host DU as

ACRR (as provided in Section 2.2), shall be determined and paid in accordance with the billing procedures of the Host DU, and remitted directly to the FIT-All Fund. Once remitted to the FIT-All Fund, the same shall form part of the Cost Recovery Revenue account.

The collection of the FIT-All and ACRR shall be revenue neutral for, and shall not form part of the revenues of, all Collection Agents and the Administrator. Such collections shall be a complete pass-through from the Consumer to the Eligible RE Plants through the FIT-All Fund.

The Collection Agents shall be mandated to **promptly and fully** remit the collections of the FIT-All and ACRR, as the case may be, within the period specified in Section 2.2.2 of these Guidelines. The customers in WESM operational grids shall remit the ACRR to the PEMC, while the host DUs in grids where the WESM is not operational shall remit the ACRR directly to the FIT-All Fund. Under Section 2.5 of the FIT Rules, the ERC is authorized to impose penalties to erring parties to prevent **default** or **delay** in payment and/or remittance of the FIT-All and/ or ACRR.

Subject to the imposition of the penalties stated in Section 2.2.7, in case of partial collection of the FIT-All and/or the ACRR, as the case may be, the Collection Agent concerned shall nonetheless remit directly to the FIT-All Fund the full amount of the collections of the FIT-All and collected ACRR, as the case may be, received by such Collection Agent from their respective Consumers or WESM participants. In such case, Administrator shall render a report to the ERC on such deficient or partial collection of the FIT-All or Actual Cost Recovery Revenue.

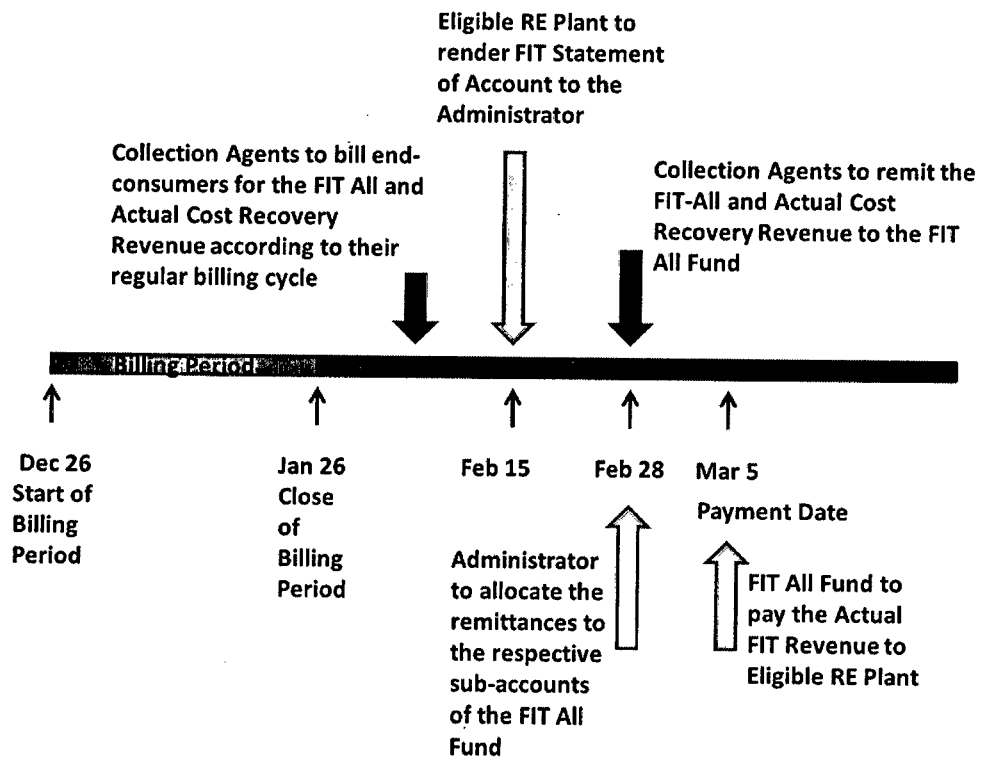
2.2.2. Invoicing and Timeline for the Collection of FIT-All and Actual Cost Recovery Revenue and Disbursement of the Actual FIT Revenue

2.2.2.1. Timeline

For Eligible RE Plants-WESM, the WESM Proceeds as Actual Cost Recovery Revenue shall be remitted by the PEMC to the FIT-All Fund no later than the twenty-eighth (28th) day of the following month after the close of the Billing Period. Prior to this, the PEMC shall have issued the final settlement statement to the Eligible RE Plant-WESM, the amount of which shall be paid to the FIT-All Fund.

For Eligible RE Plants-Non-WESM, the Actual Cost Recovery Revenue shall be remitted by the Host DU to the FIT-All Fund no later than the twenty-eighth (28th) day of the following month after the close of the Billing Period. Prior to this, the Eligible RE Plant-Non-WESM shall have issued an ACRR Invoice to the Host DU with instruction to pay to the Administrator the ACRR due to the FIT-All Fund.

The relevant Collection Agents, whether in WESM or Non-WESM-operational grids, shall likewise remit the FIT-All to the FIT-All Fund no later than the twenty-eighth (28th) day of the following month after the close of the Billing Period.



2.2.2.2. Billing by NGCP / DU / RES of FIT-All and Actual Cost Recovery Revenue

Each Collection Agent shall, in accordance with its usual billing and collection schedule, send to its respective Consumers its monthly billing statements covering the Billing Period (as such term is defined in Section 3.4 below) for the payment of transmission, distribution or supply charges, as the case may be, and in accordance with existing regulations, which shall include the FIT-All (multiplied by the kilowatt-hour consumption of such Consumer) as a separate line item, and Actual Cost Recovery Revenue as part of the generation and/or supply charges.

The PEMC shall observe its usual billing and settlement schedule for WESM participants as provided in the WESM Rules.

Should the Collection Agent's billing cycle with its Consumers render it impossible for the Collection Agent to comply with the timeline set in this section, it may petition to the ERC for an exemption. Any delay in payment by the Administrator of Actual FIT Revenue as a result of such exemption shall be sourced from the WCA account.

2.2.2.3. Collection by the Trustee of FIT-All / Actual Cost Recovery Revenue

Concerned Collection Agents shall collect the FIT-All stated in their billing statements from their Consumers and remit such collections *directly to the FIT-All Fund through the Trustee*, without deduction or set-off via any method utilized by the Philippine banking system, in immediately available funds no later

than 11:00 A.M. *on or before the twenty-eighth (28th) day of the month following the end of the relevant Billing Period*, or the next Business Day should it fall on a non-Business Day.

Concerned Collection Agents, including PEMC, shall collect the ACRR and remit such collections to the FIT-All Fund, without deduction or set-off, via any method utilized by the Philippine banking system, in immediately available funds, no later than 11:00 AM *on or before the twenty-eighth (28th) day of the month following the end of the relevant Billing Period*, or the next Business Day should it fall on a non-Business Day.

2.2.3. Allocation of FIT-All Proceeds into Component Accounts

No later than 5:00 P.M. *on or before the twenty-eighth (28th) day of the month following the end of the relevant Billing Period*, or the next Business Day should it fall on a non-Business Day, the Trustee shall provide to the Administrator a breakdown and the details of the collection of FIT-All and ACRR received by it from each of the Collection Agents. Thereafter, the Trustee shall proceed to separate and allocate the remittances into the accounts corresponding to the FIT Differential, Cost Recovery Revenue, Working Capital Allowance, Administration Allowance and Disbursement Allowance, as computed by the Administrator in accordance with these Guidelines and the ERC Decision setting the FIT-All. The Trustee, upon instruction from the Administrator, shall be authorized to transfer the amounts representing the components to the appropriate accounts of the FIT-All Fund.

As soon as the deposits are made into the relevant accounts of the FIT-All Fund, the Trustee shall issue a written confirmation of the same to the ERC and the Administrator.

2.2.4. Insufficient FIT-All Funds for Disbursement

The Administrator shall ensure that the FIT-All Fund is sufficient to fully and regularly pay the Actual FIT Revenue for all Eligible RE Plants and other payables such as the Administration Allowance and the Disbursement Allowance. If on any Billing Period the Administrator is unable to disburse any of the Actual FIT Revenue in full to the respective Eligible RE Plants; the Administration Allowance to the Administrator, and/or the Disbursement Allowance to the Trustee Bank, due to insufficiency of funds in the FIT-All Fund resulting from any default or delay in the payment and/or remittance of the FIT-All or the ACRR for causes stated in Section 1.4.2 above, the Administrator shall authorize the Trustee to source the deficient amount directly from the Working Capital Allowance account; *provided*, however, that if there is negligence, misconduct or fault on the part of the Administrator which caused the delay or default, the Administrator shall be subject to penalties under Section 2.2.8. For this purpose, the Trustee shall, in accordance with the Trust Agreement/s, immediately transfer from the Working Capital Allowance account to the appropriate account(s) such amount as may be necessary to service the deficiencies, with written confirmation to the Administrator, NREB and ERC.

2.2.5. Transparency and Third Party Verification of Account Transactions

Subject to the provisions of the relevant Trust Agreement/s, the Trustee shall maintain separate books of account for each component account of the FIT-All Fund. The Administrator shall render and send to the NREB and ERC, on a monthly basis, a written report confirming all such sums deposited (identifying the source thereof and the timeliness of remittance), remitted and disbursed into and from the various accounts of the FIT-All Fund, including interests accrued and other income thereon, covering the immediately preceding month and stating the aggregate amounts in the FIT-All Fund and its accounts, as of the date of such written confirmation.

The books of account, the monthly report mentioned above, and all such communications, letters, or documents received in connection with the management and administration of the FIT-All Fund shall be made available to NREB, ERC and the Eligible RE Plants.

2.2.6. Transparency and Audit Trail of Collection Process

For purposes of monitoring, verifying and accounting of the amounts collected from the FIT-All and ACRR and remitted to the Administrator, on the fifth (5th) day of every month, all Collection Agents shall be required to render to the ERC and the Administrator a statement of account of the FIT-All and ACRR collected from their respective Consumers for the preceding Billing Period. The PEMC shall likewise render a report to the ERC in respect of WESM Proceeds which constituted the ACRR for the preceding Billing Period. The ERC and Administrator shall be authorized to inspect the books of account of each Collection Agent to confirm the timeliness, accuracy, and completeness of monthly remittances of the FIT-All.

2.2.7. Liability for Partial and/or Delayed payment of FIT-All / Actual Cost Recovery Revenue to the FIT-All Fund

2.2.7.1. The Collection Agents

The Collection Agents are mandated to bill and collect the FIT-All and/or the Actual Cost Recovery Revenue, as may be applicable, and remit the amounts collected to the Administrator through the Trustee on a monthly basis. The failure to **promptly and/or fully remit** these collections shall make the erring Collection Agent liable for the following:

- a. Monthly interests on unpaid amounts based on the prevailing 91-day treasury bill rate at the close of each Billing Period that the amount due remains unpaid, plus 300 basis points until fully paid; and
- b. Twenty percent (20%) penalty surcharge if there was failure to remit the collections for two (2) successive billing periods.

The Administrator is hereby authorized to collect the above interests and surcharges, which shall be remitted to the WCA account of the FIT-All Fund.

In the case of failure of the Collection Agent to remit these collections for more than two (2) successive Billing Period, the ERC hereby authorizes the

Administrator, subject to DOE Department Circular No. 2010-08-0010, to instruct NGCP to disconnect a DU or Directly Connected Customer from the Grid.

The ERC may also initiate administrative proceedings against the erring Collection Agent by issuing a show cause order, and, after due proceedings, impose the appropriate administrative penalty if warranted under the circumstances.

2.2.8. Penalties for Partial and/or Delayed payment of the Actual FIT Revenue

The Administrator, through the Trustee, is mandated to pay on a monthly basis, through the Trustee, the Actual FIT Revenue in full to each Eligible RE Plant within the periods provided in Section 2.2.2. The failure to **promptly and/or fully pay** the Actual FIT Revenue to any Eligible RE Plant for any Billing Period shall authorize the relevant Eligible RE Plant to charge the Administrator, upon the lapse of one Billing Period after the due date of the unpaid Actual FIT Revenue, monthly interests on all unpaid amounts based on a 91-day treasury bill rate plus 300 basis points until fully paid. Such interest charges, if authorized under this Section, shall be sourced by the Administrator from the WCA account.

However, if the partial or delayed payment of the Actual FIT Revenue is due to the negligence, misconduct or fault of the Administrator and/or the Trustee, and upon a showing thereof after due notice and hearing, the Administrator and/or the Trustee, as the case may be, the ERC may, upon complaint by any concerned party or *motu proprio*, initiate administrative proceedings against the Administrator and/or the Trustee by issuing a show cause order and, after due proceedings, impose the appropriate administrative penalty if warranted under the circumstances.

3. Disbursements of the FIT-All Fund

3.1. Disbursements of the FIT-All Fund Accounts

The Administrator and the Trustee may not make withdrawals or disbursements from the FIT-All Fund accounts, except in the following instances:

- a) Payment and settlement of the Actual FIT Revenue due and payable to the Eligible RE Plants, in accordance with **Section 3.5.3** below;
- b) Payment of the Administration Allowance, in accordance with the requirements of **Section 3.5.4** below;
- c) Payment of the Disbursement Allowance stated in **Section 3.5.5** below;
- d) Insufficiency of the FD and CRR accounts for disbursements to the Eligible RE Plant, including amounts for payment of penalty interest, if any, in which case such deficient amount may be transferred to the FD and/ or CRR account, as may be necessary, from the WCA account, as provided for in **Section 2.2.4**.

3.2. Eligibility Requirements of the Eligible RE Plant

In accordance with Section 1.4 of the FIT Rules, an Eligible RE Plant shall be entitled to receive payment of the Actual FIT Revenue from the Administrator, only upon issuance by (i) the Department of Energy (DOE) of a Certificate of Endorsement for FIT Eligibility (pursuant to DOE Department Circular No. DC 2013-05-009 dated May 28, 2013, and (ii) the ERC of a FIT Certificate of Compliance or COC authorizing such Eligible RE Plant to operate as a FIT-Eligible RE Plant ("FIT COC").

3.3. Documents Required for Payment of the FIT Revenue to the Eligible RE Plant

The Actual FIT Revenue accruing to each Eligible RE Plant shall be released only upon presentment to the Administrator of the following documents, duly filled out and/or executed:

3.3.1. Initial Documents to be Submitted

- a. ***FIT Certificate of Compliance (COC)*** – This refers to the Certificate secured from the ERC before Commercial Operation of the Eligible RE Plant that authorizes it to engage in the operation of a Renewable Energy power plant facility used to generate electricity pursuant to Section 1.3 of the FIT Rules and issued in accordance with the preceding Section 3.2 of these Guidelines. The FIT COC shall indicate the month, date and year of the Commercial Operations Date of the Eligible RE Plant, from which date the Eligible RE Plant shall be entitled to receive the relevant FIT for all kilowatt-hours actually delivered.
- b. ***Payment Agreement for the ACRR – In the case of Eligible RE Plants-WESM, this refers to the Market Participation Agreement with the Philippine Electricity Market Corporation (PEMC). In the case of Eligible RE Plants-Non-WESM, this refers to the Renewable Energy Supply Agreement with the Host DU.***

- c. **Metering Services Agreement** executed between the Eligible RE Plant and the Metering Services Provider (MSP);
- d. **Connection Agreement** between the NGCP or Host DU, as may be applicable, and the Eligible RE Plant;
- e. **Transmission Service Agreement** between NGCP and the Eligible RE Plant, as may be applicable;
- f. **Bank Details** – This refers to the details of the bank account of the Eligible RE Plant where the proceeds of the Actual FIT Revenue shall be disbursed and settled, stating the name and branch of the Eligible RE Plant’s bank and account number for the receiving account.
- g. **Updates/ Amendments to Initial Documents.** -- In the event that there are any updates, amendments, extensions or revisions to any of the foregoing documents, the RE Developer shall submit to the Administrator, on the Billing Period immediately following receipt of such documents, true copies of such documents duly certified by the authorized representative of the RE Developer, together with the FIT Statement of Account.

3.3.2. Documents to be Submitted each Billing Period

- a. **FIT Statement of Account** – This refers to the monthly statement of account submitted by the Eligible RE Plant to the Administrator for the payment, through the Trustee, of the Actual FIT Revenue from the FIT-All Fund, the amount of which is the product of: (i) The electricity in kWh generated from the relevant RE resource by the Eligible RE Plant and actually delivered into the relevant transmission or distribution Grid, as the case may be, during a Billing Period (“Actual RE Generation”), and (ii) the ERC-approved and published FIT Rate in Peso per kWh for such electricity delivered and applicable to the relevant Eligible RE Plant, and as may be degressed and adjusted for CPI and FOREX (“Actual FIT Revenue”).
- b. **Actual FIT Differential Invoice** – This refers to the invoice of the Eligible RE Plant to the Administrator which shall state the amount of the Actual FIT Differential due to the Eligible RE Plant for the relevant Billing Period. The Actual FIT Differential Invoice is the invoice setting out the difference between (i) the Actual FIT Revenue set out in the FIT Statement of Account, and (ii) the Actual Cost Recovery Revenue, as stated in the ACRR Invoice described below, of the Eligible RE Plant for the relevant Billing Period. The Actual FIT Differential Invoice shall be a required attachment to the FIT Statement of Account.
- c. **Actual Cost Recovery Revenue (ACRR) Invoice** – The ACRR Invoice shall be a required attachment to the FIT Statement of Account, and is defined as follows:
 - (i) In the case of an Eligible RE Plant-WESM, this refers to the **Summary of WESM Proceeds** which is the signed summary attesting to an Eligible RE Plant-WESM’s total WESM Proceeds in all trading intervals within the applicable Billing Period (“WESM Proceeds”), and shall be composed of: (1) monthly official invoice from

PEMC stating the amount actually collected for the Eligible RE Plant-WESM from the WESM for electricity actually delivered during that month, including any other settlement adjustments; and (2) the WESM billing and settlement data certifying the total electricity deliveries for said month.

- (ii) In the case of an Eligible RE Plant-Non-WESM, this refers to the **Final Settlement Invoice** which is signed summary submitted by the Eligible RE Plant-Non-WESM to the Host DU attesting to the Eligible RE Plant-Non-WESM's Actual Cost Recovery Revenue for the Billing Period. It shall contain information on the Actual RE Generation delivered by the Eligible RE Plant-Non-WESM to the Host DU's distribution system and on the weighted average generation cost of the Host DU for the Billing Period, in accordance with Section 2.2 of these Guidelines.
- d. **Record of Meter Reading** – This refers to the Load Profile Meter Data, which is the raw meter data to be provided by the MSP on the 29th day of every billing month, stating the total number of net kWh actually injected by an Eligible RE Plant into the relevant transmission or distribution Grid, and shall be the basis of preparing the FIT Statement of Account and the corresponding payment of the Actual FIT Revenue to the Eligible RE Plant from the FIT-All Fund.
- e. Others as may be subsequently prescribed by the ERC.

3.4. Metering

Each Eligible RE Plant shall be paid its corresponding Actual FIT Revenue based on electricity actually exported to the relevant transmission or distribution Grid, as the case may be, measured at the high voltage side of the step-up transformer at the RE Plant ("Metering Point"), and reflected in its Record of Meter Reading. This shall be measured in the load profile meter data by remote means, or any other means approved by the ERC, beginning 00:00 hour of the twenty-sixth (26th) day of every calendar month and ending at the 24:00 hour of the twenty-fifth (25th) day of the succeeding calendar month ("Billing Period").

The Eligible RE Plant shall coordinate with the relevant Metering Service Provider (MSP) to install a revenue meter, or such applicable metering device and/or related instruments, to measure and record the delivery of electricity generated by the RE Plant to the relevant transmission or distribution Grid ("Revenue Meter") or distribution system to the grid at the "Metering Point". The MSP shall own and shall be responsible for the design, provision, installation, maintenance, testing and sealing of the meter and associated metering equipment subject to the applicable rules and guidelines of the ERC on metering.

Each Eligible RE Plant shall enter into a Metering Services Agreement with the relevant MSP.

The metering methodology for establishing the Record of Meter Reading of the electricity generated by the RE Plant to the relevant Grid, as concurred in by the Market Operator for Eligible RE Plants (WESM), shall be the load profile meter data, and shall be the same for both the determination of WESM Proceeds, Actual Cost Recovery Revenue, and the Actual FIT Revenue, such that the same total number of net kWhs injected into the relevant transmission

Grid shall be used in each element of the calculation of the FIT Statement of Account in Section 3.3.2(a) above.

The MSP is directed to ensure the accuracy of metering data and compliance with the appropriate procedures for providing metering data for billing and settlement.

3.5. Preparation and Format of Billings to the Administrator

The Eligible RE Plant shall prepare the documents enumerated in Section 3.3.2 of these Guidelines for submission to the Administrator.

3.5.1. Serving / Timing of Bills

The Eligible RE Plant shall render to the Administrator a FIT Statement of Account for the Actual FIT Revenue, based on the Record of Meter Reading for such Billing Period, and calculated using the applicable published prevailing FIT Rate, as provided in Section 3.3.2(a). To assist the Administrator in verifying the Actual FIT Revenue due and to expedite the payment application process, the Eligible RE Plant shall also furnish an electronic copy/ facsimile/ electronic mail of the FIT Statement of Account on the same date and transmit the original thereof to the Administrator not later than three (3) days before payment is due, otherwise release of payment will be delayed.

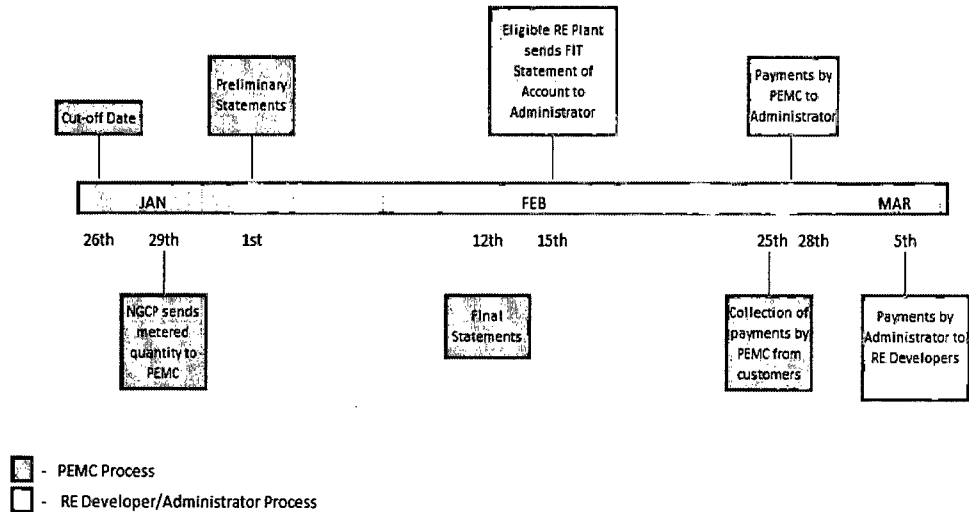
The Eligible RE Plant shall also render to the PEMC or host DU, as the case may be, an invoice for the Actual Cost Recovery Revenue, copy of which shall be provided to the Administrator as a required attachment to the FIT Statement of Account.

3.5.2. Use of Published FIT-All Rates

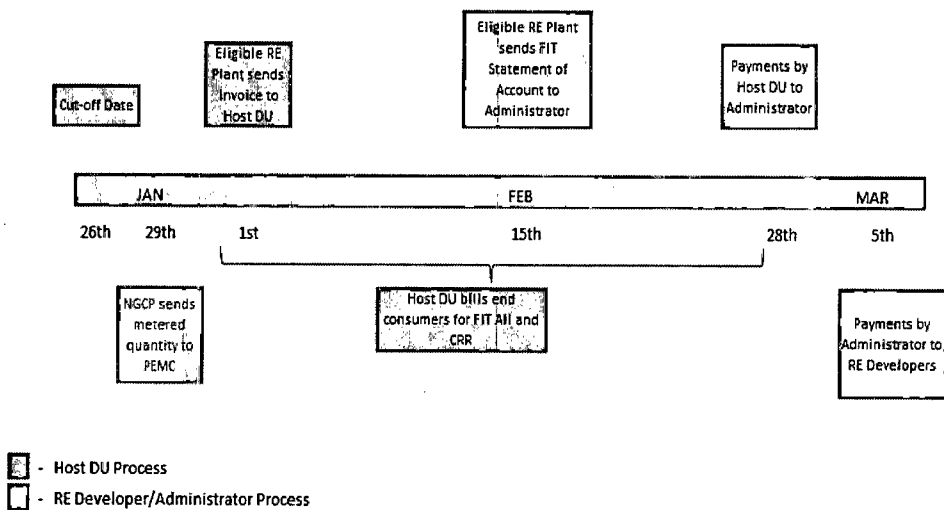
The Eligible RE Plant shall indicate in its FIT Statement of Account to the Administrator the applicable prevailing FIT Rate as published by the ERC.

3.5.3. Timeline and Procedure for Release of Funds to Eligible RE Plants

Eligible RE Plants-WESM: A FIT Statement of Account in the amount of the Actual FIT Revenue shall be due and payable on the fifth (5th) calendar day of the second (2nd) month following the close of the Billing Period for which the FIT Statement of Account is being submitted, or if such due date is not a Business Day, the next succeeding Business Day ("Payment Date"). In order for the Eligible RE Plant-WESM to receive timely payment of the Actual FIT Revenue on the Payment Date, the FIT Statement of Account shall have been received by the Administrator from the Eligible RE Plant-WESM not later than the fifteenth (15th) calendar day of the month following the close of the Billing Period. (See diagram below).



Eligible RE Plants-Non-WESM: A FIT Statement of Account in the amount of the Actual FIT Revenue shall be due and payable from the FIT-All Fund on the fifth (5th) calendar day of the second (2nd) month following the close of the Billing Period for which the FIT Statement of Account is being submitted, or if such due date is not a Business Day, the next succeeding Business Day (“Payment Date”). In order for the Eligible RE Plant-Non-WESM to receive timely payment of the Actual FIT Revenue on the Payment Date, the FIT Statement of Account shall have been received by the Administrator from the Eligible RE Plant-Non-WESM not later than the fifteenth (15th) calendar day of the month following the close of the Billing Period. (See diagram below.)



Should the Eligible RE Plant issue the FIT Statement of Account to the Administrator earlier, the Payment Date shall be on the same date.

Release of Funds to Eligible RE Plants: Upon instruction of the Administrator, the Trustee shall execute payment to the Eligible RE Plant via any method utilized by the

Philippine banking system in immediately available and cleared funds not later than 11:00 a.m., on Payment Date, from the FIT-All Fund to such account or accounts specified by the Eligible RE Plant in Section 3.3.1(f) of these Guidelines. Such payments shall be without deduction or set-off, except for applicable remittance charges, if any, which the Administrator is authorized to deduct from the payment to the Eligible RE Plant.

Before the close of the Business Day when the payment was made, the Eligible RE Plant shall issue a receipt to (i) the Administrator acknowledging receipt of actual payment of the Actual FIT Differential and to (ii) the PEMC or Host DU, as the case may be, acknowledging actual receipt of the Actual Cost Recovery Revenue.

3.5.4. Condition for Releasing Payment of Administration Allowance to Administrator

As provided for in Section 1.4.3, the Administrator shall be entitled to a monthly payment of Administration Allowance equivalent to 1/12 of the annual budget approved by the ERC, or based on a pre-approved schedule of release based on the cash flow requirement of the Administrator. The ERC may order the Trustee to withhold payment of the Administration Allowance for failure by the Administrator to perform its obligations under these Guidelines.

3.5.4.1. Invoicing Details for the TransCo

Within five (5) Business Days prior to the close of the current calendar month, the Administrator shall send a statement of account to the Trustee for the payment of its Administration Allowance for the current Billing Period. At 11:00 a.m. on the third (3rd) calendar day following the month of receipt of the statement of account, the Trustee shall draw from the Administration Allowance account such amount stated in the statement of account and remit the same to the Administrator in immediately available and cleared funds. The Administrator shall forthwith issue an acknowledgment receipt to the Trustee, copy furnished to the ERC. Should the Administration Allowance account be insufficient, the Trustee shall be authorized to source the deficient amount directly from the Working Capital Allowance account, and thereafter disburse the amount stated in the statement of account of the Administrator, observing the same procedure set forth in Section 2.2.4.

3.5.5. Condition for Releasing Payment of Disbursement Allowance to the Trustee

As provided for in Section 1.4.3 and subject to the provisions of the Trust Agreement, the FIT-All Fund shall be charged for the compensation of the Trustee for the management, operation and administration of the Trust Accounts.

Within five (5) Business Days prior to the close of the current calendar month, the Trustee shall send a statement of account to the Administrator detailing the total ERC-approved DA charges payable to it for the current Billing Period. Upon approval by the Administrator, at 11:00 a.m. of the third (3rd) calendar day following the month of receipt by the Administrator of the statement of account, the Trustee shall deduct from the FIT-All Fund's Disbursement Allowance account the amount of the Disbursement Allowance due and payable. The Trustee shall forthwith issue an acknowledgment receipt to the Administrator, copy furnished the ERC. Should the FIT-All Fund's Disbursement

Allowance account be insufficient, the Trustee shall, upon prior application to and approval by the Administrator, be authorized to source the deficient amount directly from the Working Capital Allowance account, observing the same procedure set forth in Section 2.2.4.

The ERC may likewise order the withholding of payment of the Disbursement Allowance for failure by the Trustee to perform its obligations under the relevant Trust Agreement/s.

4. Roles of Stakeholders

The functions and obligations of the different stakeholders are hereunder summarized for easier reference.

4.1. Administrator:

- (i) Enter into a REPA with the Eligible RE Plant;
- (ii) Enter into a framework agreement with the PEMC for the payment of the WESM Proceeds as ACRR of all Eligible RE Plants-WESM;
- (iii) Enter into a trust agreement with the Trustee for the FIT-All Fund. Such trust agreement shall provide, among others, that the Administrator shall instruct the Trustee on the allocation of inflows into the different FIT-All Fund accounts and on the sourcing of disbursements from the different accounts, as well as the transfer of funds from the Working Capital Allowance account into the appropriate accounts;
- (iv) File the application for the setting of the FIT-All before the ERC as well as for any adjustments in the Working Capital Allowance as may be needed;
- (v) Collect information for all RE injections in the transmission and/or distribution systems;
- (vi) Audit metering information as needed and administration of the FIT, in coordination with the DOE and related agencies;
- (vii) Implement the decision of the ERC on the applicable FIT-All by requiring the remittance to the FIT-All Fund by Collection Agents of the FIT-All and Actual Cost Recovery Revenues;
- (viii) Calculate the payments of Actual FIT Revenue for each Eligible RE Plant based on the applicable FIT approved by the ERC for each RE Developer and Actual RE Generation, and cause disbursements of the same by the Trustee to the Eligible RE Plant;
- (ix) Monitor the collection and remittance of ACRR and FIT-All and enforce the liabilities of Collection Agents for non-/insufficient remittance of collections to the FIT-All Fund;
- (x) Subject to DOE Department Circular No. No. 2010-08-0010, instruct NGCP or DU, as the case may be, in the event of non-payment of a Collection Agent for more than two (2) succeeding billing periods, to disconnect the non-remitting Collection Agent or non-paying Consumer;
- (xi) Keep up to date book of accounts, records and reconciliation of all transactions handled by the Administrator;
- (xii) Inspect books of account of Collection Agents as may be needed to confirm the timeliness, accuracy and completeness of monthly collection and remittances of the FIT-All and Actual Cost Recovery Revenues;
- (xiii) Provide timely reports to ERC, DOE, NREB, Eligible RE Plants and other concerned parties; and
- (xiv) Publish all filings, periodic reports (i.e. monthly, quarterly, and yearly), and audit reports, which may be done by web posting.

4.2. Eligible RE Plant:

- (i) Secure and maintain the necessary permits and certificates to develop, construct, and operate its RE Generation Facility as an Eligible RE Plant;
- (ii) Operate the Eligible RE Plant in accordance with its Renewable Energy Service/Operating Contract with the DOE, the REPA, Connection Agreement with NGCP or DU to which the Eligible RE Plant will interconnect, the Grid Code or Distribution Code and any applicable standards;
- (iii) Enter into a connection agreement with the NGCP if connecting directly to the grid or to a DU if connecting to a distribution system. Where WESM is operational, register as a direct WESM member.
- (iv) Enter into a REPA with the Administrator;
- (v) In the case of an Eligible RE Plant-Non-WESM, enter into a RESA with the Host DU, for the payment of the Actual Cost Recovery Revenue.
- (vi) Inject RE generation into the transmission or distribution system in accordance with the REPA and prescribed technical standards.
- (vii) Deliver a Statement of Account for its Actual FIT Revenue to the Administrator and issue corresponding receipts when payments are received to (1) the Administrator for the Actual FIT Differential and (2) the PEMC or host DU, as the case may be, for the amounts received as Actual Cost Recovery Revenue.
- (viii) Submit reports as may be required by the Administrator.

4.3. Trustee:

- (i) Enter into a trust agreement with the Administrator in respect of the FIT-All Fund on such terms and conditions consistent with these Guidelines.
- (ii) Act as the repository bank for remittances of the Collection Agents and issue corresponding proof of receipt of funds.
- (iii) Implement the instruction of the Administrator as to allocation of fund inflows into the FIT-All Fund component accounts and on the sourcing of disbursements from the said accounts.
- (iv) Implement the instruction of the Administrator on the payment of the Actual FIT Revenue to Eligible RE Plants.
- (v) Render regular reports to the Administrator and to the ERC and to other concerned parties such as NREB and Eligible RE Plants as needed.
- (vi) Keep and maintain separate books of accounts and other accounting records of all placements, receipts and disbursements of the FIT-All Fund
- (vii) Shall not assign its rights and obligations under the Trust Agreement.

4.4. NGCP:

- (i) Provide metering service to Eligible RE Plants connecting to the transmission grid in accordance with a metering service agreement entered into with the Eligible RE Plant.
- (ii) Enter into a Connection Agreement with a grid connected Eligible RE Plant.
- (iii) Collect the FIT-All and any monetary penalties authorized by the ERC to be imposed by the Administrator for delay or failure to pay in full, if any, from directly connected customers and directly connected contestable customers sourcing directly from WESM, and remit such collection to the FIT-All Fund.
- (iv) Implement the instructions of the Administrator, as authorized by the ERC, with respect to imposition of penalties and other remedies for late/non-paying Consumers.

4.5. PEMC:

- (i) Remit the WESM proceeds and any monetary penalties imposed by the Administrator for delay or failure to pay to the FIT-All Fund in full, if any, of WESM Market Participants to the Eligible RE Plants that are WESM-connected.
- (ii) Provide historical data of WESM prices that will be used by the Administrator in the determination of the FIT-All that will be filed with the ERC for the following year, consistent with available market information and subject to the confidentiality provisions of the WESM Rules.
- (iii) Implement the instructions of the Administrator, as authorized by the ERC, with respect to imposition of penalties and other remedies for late/non-paying Consumers.

4.6. Distribution Utilities (DUs):

- (i) Provide metering service to Eligible RE Plants connecting to the distribution system in accordance with the metering service agreement entered into with the Eligible RE Plant.
- (ii) Enter into a Connection Agreement with any Eligible RE Plant connecting to the transmission system through the DU's distribution system;
- (iii) Upon request of an Eligible RE Plant-Non-WESM, enter into a RESA with the Eligible RE Plant-Non-WESM for the payment of the Actual Cost Recovery Revenue;
- (iv) Collect the FIT-All and any monetary penalties as authorized by the ERC for delay or failure to pay in full, if any, from its customers and remit such collection to the Fund;
- (v) In the case of host DUs (to Eligible RE Plant), collect from their end consumers the applicable Forecast Cost Recovery Revenue and remit the same to the Fund;
- (vi) Provide billing, collection and remittance reports as may be required by the ERC and the Administrator;
- (vii) Provide historical information on the average generation cost of all its generation sources to the Administrator for use in the determination of the FIT-All that will be filed with the ERC for the following year, as well as any relevant information to assist the Administrator to accurately forecast the Forecast Cost Recovery Revenue .

4.7. RES

- (i) Collect the FIT-All and any monetary penalties authorized by the ERC for delay or failure to pay in full, if any, from its customers and remit such collection to the FIT-All Fund.

5. Transitory Provisions

- 5.1. For the initial filing for approval of the FIT-All, the Administrator may file at any time that it has completed the determination of the FIT-All for the initial year of implementation.
- 5.2. The ERC shall, in its Decision on the Administrator's application for approval of the FIT-All, determine when the charging of the approved FIT-All shall commence, which may be ahead of the expected Commercial Operations Date of the Eligible RE Plants that will be in Commercial Operations within the year of the initial filing for approval of the FIT-All.
- 5.3. Upon the full implementation of the WESM in Mindanao and the registration of an Eligible RE Plant-Non-WESM as a direct participant therewith, such Eligible RE Plant-Non-WESM shall be deemed an Eligible RE Plant-WESM and the relevant RESA of such Eligible RE Plant-Non-WESM shall be automatically terminated and substituted by the Market Participation

Agreement under the WESM. The Host DU shall collect and remit all ACRR due under the RESA up to the date of the termination of the RESA. All provisions in these Guidelines referring to Eligible RE Plants-Non-WESM shall thereafter cease to be operative.

6. Definitions

“Actual Cost Recovery Revenue” or “ACRR” has the meaning ascribed in Section 2.2.

“Actual Cost Recovery Revenue Invoice” or “ACRR Invoice” has the meaning ascribed in Section 3.3.2(c) of these Guidelines.

“Actual FIT Differential” has the meaning ascribed in Section 2.2.

“Actual FIT Differential Invoice” has the meaning ascribed in Section 3.3.2(b) of these Guidelines.

“Actual FIT Revenue” has the meaning ascribed in Section 3.3.2(a) of these Guidelines.

“Actual RE Generation” has the meaning ascribed in Section 3.3.2(a) of these Guidelines.

“Administration Allowance” or “AA” has the meaning ascribed in Section 1.4.3 of these Guidelines.

“Administrator” means the National Transmission Corporation as administrator of the FIT-All Fund, as designated in Resolution No. 16, series of 2012, amending the FIT Rules.

“Billing Period” has the general meaning ascribed in Section 3.4 of these Guidelines. In case the Commercial Operations Date of the Eligible RE Plant shall be on a date other than the twenty-sixth (26th) day of the calendar month, the first Billing Period shall commence on 00:00 hour of the Commercial Operations Date and end on the 24:00 hour of the twenty-fifth (25th) calendar day immediately following the Commercial Operations Date; correspondingly, the last Billing Period shall commence on 00:00 hour of the twenty-sixth (26th) day of the last full Billing Period and end at the 24:00 hour of the twentieth (20th) anniversary of the Commercial Operations Date, or such other number of years approved by the ERC for availment of the FIT.

“Business Day” means a day that is not a Saturday, Sunday or legal holiday, in which the facilities of the Philippine banking system are open and available for clearing and the banks are open for business in: (i) the domicile of both the Administrator and the relevant Collection Agent in case of remittances to the FIT-All Fund; and (ii) the domicile of both the Administrator and the Eligible RE Plant in case of payments from the FIT-All Fund.

“Certificate of Compliance” has the same meaning ascribed in the FIT Rules.

“Captive Customers” are electricity end-users who do not have the choice of a supplier of electricity, as may be determined by the ERC in accordance with R.A. 9136.

“Collection Agent” has the meaning ascribed in Section 2.2.1.1 of these Guidelines.

“Contestable Customers” are electricity end-users who have a choice of a supplier as determined by the ERC, in accordance with R.A. 9136 and the Rules for Contestability.

“Commercial Operation” has the same meaning ascribed in the FIT Rules.

“Commercial Operations Date” has the same meaning ascribed in the FIT Rules.

“Consumers” refers to any person or entity requiring the supply and delivery of electricity for its own use that are connected to the Grid either directly through the transmission network or through a distribution system, and includes captive end-users of DUs, end-users who comprise the contestable market.

“Department of Energy” or “DOE” is the government agency created pursuant to Republic Act No. 7638, whose functions are expanded in Republic Act No. 9136 and further expanded in the RE Law.

“Disbursement Allowance” or “DA” has the meaning ascribed in Section 1.4.3 of these Guidelines.

“Distribution Utility” or “DU” has the same meaning ascribed in the FIT Rules, which term includes electric cooperatives.

“Eligible RE Plant” has the same meaning ascribed in the FIT Rules, and in these Guidelines, shall refer to both Eligible RE Plants-WESM and Eligible RE Plants-Non-WESM.

“Eligible RE Plant-Non-WESM” has the meaning ascribed in Section 1.4.1.2(B) of these Guidelines.

“Eligible RE Plant-WESM” has the meaning ascribed in Section 1.4.1.2(A) of these Guidelines.

“Energy Regulatory Commission” or “ERC” refers to the independent quasi-judicial body created under Section 38 of R. A. No. 9136.

“FIT-All” means the Feed-in Tariff Allowance created under Section 2.5 of the FIT Rules and collected and disbursed under these Guidelines.

“FIT-All Fund” is the fund established pursuant to Section 2.9 of the FIT Rules and administered by the TransCo under these Guidelines for the collection of the FIT-All from Consumers and the disbursement of the actual FIT Revenues to all Eligible RE Plants.

“FIT-All Guidelines” mean these Guidelines for the Collection of the Feed-in Tariff Allowance and Disbursement of the FIT-All Fund, as approved by the ERC.

“FIT Certificate of Compliance” or “FIT COC” shall have the meaning ascribed in Section 3.3.1(a) of these Guidelines.

“FIT Differential” or “FD” has the meaning ascribed in Section 1.4.1 of these Guidelines.

“FIT Rules” means the Feed-in Tariff Rules adopted by the ERC in Resolution No. 16, series of 2010, as amended by ERC Resolution No. 16, series of 2012, and by the ERC from time to time.

“FIT Statement of Account” has the meaning ascribed in Section 3.3.2(a) of these Guidelines.

“FIT System” means the feed-in tariff system mandated under Section 7 of the RE Law for the priority purchase, dispatch and payment of electricity produced from wind, solar, ocean, run-of-river hydropower and biomass.

“Forecast RE Generation” has the meaning ascribed in Section 1.4.4.1 of these Guidelines.

“Forecast Cost Recovery Rate” or “FCRR” has the meaning ascribed in Sections 1.4.1.2 of these Guidelines.

“Forecast National Sales” or “FNS” has the meaning ascribed in Section 1.4.4.2 of these Guidelines.

“Government Financial Institution” shall refer to Development Bank of the Philippines or the Land Bank of the Philippines.

“Grid” refers to the high voltage backbone system of interconnected transmission lines, substations and related facilities.

“Guidelines” means these Guidelines for the Collection of the Feed-in Tariff Allowance (FIT-All) and Disbursement of the FIT-All Fund, as adopted and as may be amended from time to time by the ERC.

“Host DU” has the meaning ascribed in Section 1.4.1.2(B) of these Guidelines.

“Metering Point” has the meaning ascribed in Section 4.5 of these Guidelines.

“National Electrification Administration” or “NEA” means the government agency created under Presidential Decree No. 269, as amended, and whose additional mandate is further set forth in the Republic Act No. 9136.

“National Grid Corporation of the Philippines” or “NGCP” refers to the entity that took over the transmission business of the National Transmission Corporation by virtue of R. A. No. 9511.

“National Renewable Energy Board” or “NREB” refers to the body created pursuant to the RE Law to perform various functions to achieve the goals of the RE Law.

“National Transmission Corporation” or “TransCo” refers to the corporation organized pursuant to Republic Act No. 9136 or the Electric Power Industry Reform Act of 2001 to acquire all the transmission assets of the National Power Corporation.

“On-Grid” refers to the scope of Consumers from whom the FIT-All shall be collected as provided in Section 1.4 of the FIT Rules.

“Payment Date” has the meaning ascribed in Section 3.5.3 of these Guidelines.

“Philippine Electricity Market Corporation” or “PEMC” means the corporation created by the DOE pursuant to Section 30 of R.A. No. 9136 to be the governance arm of the WESM.

“Power Sector Assets & Liabilities Management Corporation” or “PSALM” refers to the corporation created pursuant to Section 49 of R.A. 9136.

“RE Developer” has the same meaning ascribed in Section 4(pp) of the RE Law.

“RE Law” means Republic Act No. 9513, or the Renewable Energy Act of 2008.

“Record of Meter Reading” has the meaning ascribed in Section 3.3.2(d) of these Guidelines.

“Renewable Energy Payment Agreement” or “REPA” has the same meaning ascribed in Section 6(e) of the FIT Rules.

“Retail Electricity Suppliers” or “RES” refers to any person or entity authorized by the ERC to sell, broker, market or aggregate electricity to Consumers in the Contestable Market, and includes Local Retail Electricity Suppliers and Suppliers of Last Resort as these are defined in the relevant ERC guidelines.

“Revenue Meter” has the meaning ascribed in Section 3.4 of these Guidelines.

“Total FIT Revenue” is computed in accordance with, and has the meaning ascribed in Section 1.4.1 of these Guidelines.

“Trust Agreement” has the meaning ascribed in Section 1.4.3 of these Guidelines.

“Trustee” has the meaning ascribed in Section 1.4.3 of these Guidelines.

“WESM Proceeds” has the meaning ascribed in Section 3.3.2(c)(i) of these Guidelines.

“Working Capital Allowance” or “WCA” has the meaning ascribed in Section 1.4.2 of these Guidelines.

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