



Philippine Green Energy Auction Program (GEAP) Update

Nov 2024

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Overview and Recent Developments

INTRODUCTION

The Philippine Green Energy Auction Program (GEAP) is central to the country's push towards renewable energy (RE) growth, offering competitive procurement processes to meet national targets. This update covers essential developments ahead of the **3rd Green Energy Auction (GEA3)**, including expanded technology options, updated Green Energy Auction Reserve (GEAR) pricing, and new Price Determination Methodology (PDM) guidelines for non-FIT-eligible technologies.

HIGHLIGHTS FOR GEA3

Key updates	Technology	Delivery	Capacity (MW)
1 Auction timeline: Scheduled for Q4 2024 / Q1 2025 .	 Geothermal	2025-2027	100
2 Includes non-FIT-eligible technologies such as impounding & pumped-storage hydro and geothermal	 Impounding Hydro	2028-2030	300
3 Reduced bond obligations now ease financial entry for bidders while ensuring project accountability	 Pumped-storage Hydro	2028-2032	4,000
	 Run-of-River (ROR) Hydro	2027-2029	75
	Total		4,475

Lower performance bond requirement

- ✓ In GEA3, the **Performance Bond requirement has been set at a relatively lower rate** compared to previous rounds
- ✓ **Bond Details:**
 - 1 Must be **posted within two months** of receiving the Notice of Award
 - 2 Accepted forms include cash, manager's check, or an irrevocable letter of credit from a local or international commercial bank with branches in the Philippines
 - 3 Covers **5% of the project cost per MW** multiplied by the offered capacity in MW, with a **minimum bond amount of PHP 5,000,000 for bids under 1 MW**
- ✓ **Validity:** Bonds are **valid for one year, renewable annually**, and must be maintained until the project achieves commercial operations

UPDATED GEAR PRICING AND PRICING MODEL

Key parameters & GEAR PRICE



The Energy Regulatory Commission (ERC) has released **preliminary GEAR price for ROR hydro** as part of GEA3 preparations

7.6 MW (GEA3) vs. 8.0MW (GEA1)

Installed capacity based on potential FIT-eligible plant averages

25 years (GEA3) – same as GEA1

Economic useful life that is consistent with industry standards

53.68% (GEA3) vs. 53.58% (GEA1)

Net capacity factor based on historical data from feasibility studies

USD2,767/kW (GEA3) vs. USD2,844/kW(GEA1)

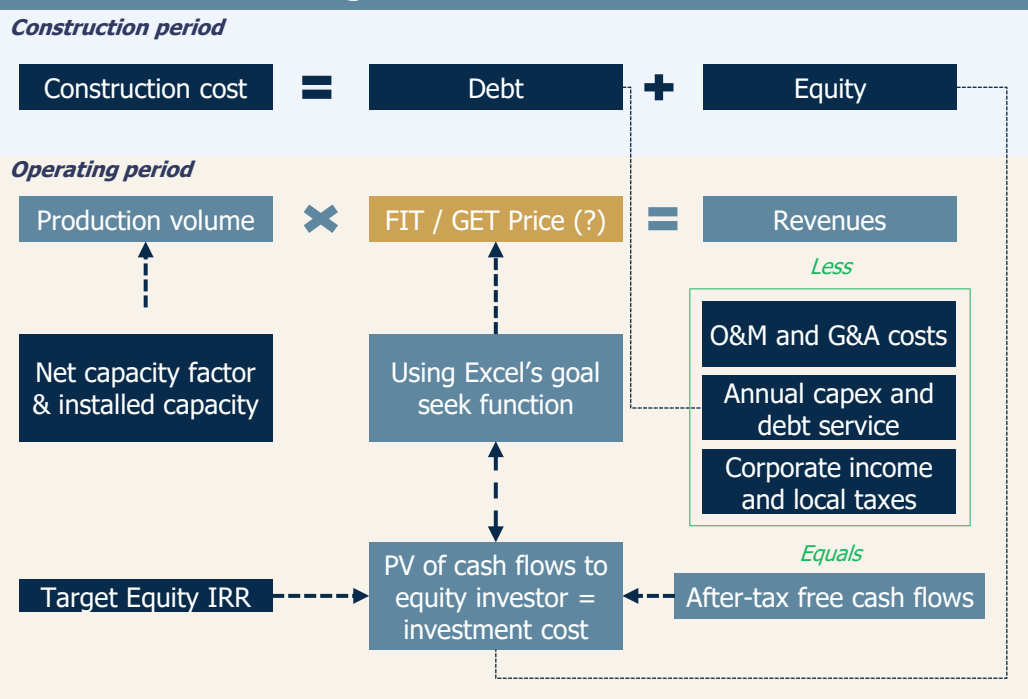
Equipment Cost, Transportation to project site, Balance of Plant

5.4913/kWh
GEAR Price (GEA1)



???¹/kWh
GEAR Price (GEA3)

Pricing determination – DCF model



Mechanisms and Price Determination Methodology

MECHANISMS AND PDM FOR NON-FIT-ELIGIBLE RE TECHNOLOGIES

Overview of the price determination mechanism

- ✓ **Designed to attract broader market participation** by providing competitive and transparent pricing across impounding hydro, pumped-storage hydro, binary geothermal, and other non-FIT-eligible technologies
- ✓ PDM assesses bids through a **two-step evaluation process** that involves a primary evaluation and subsequent weighted scoring system
- ✓ Projects that pass are **evaluated using the DCF model** to calculate the present value of future cash flows and ensure investment returns align with expected costs and revenue

Primary evaluation

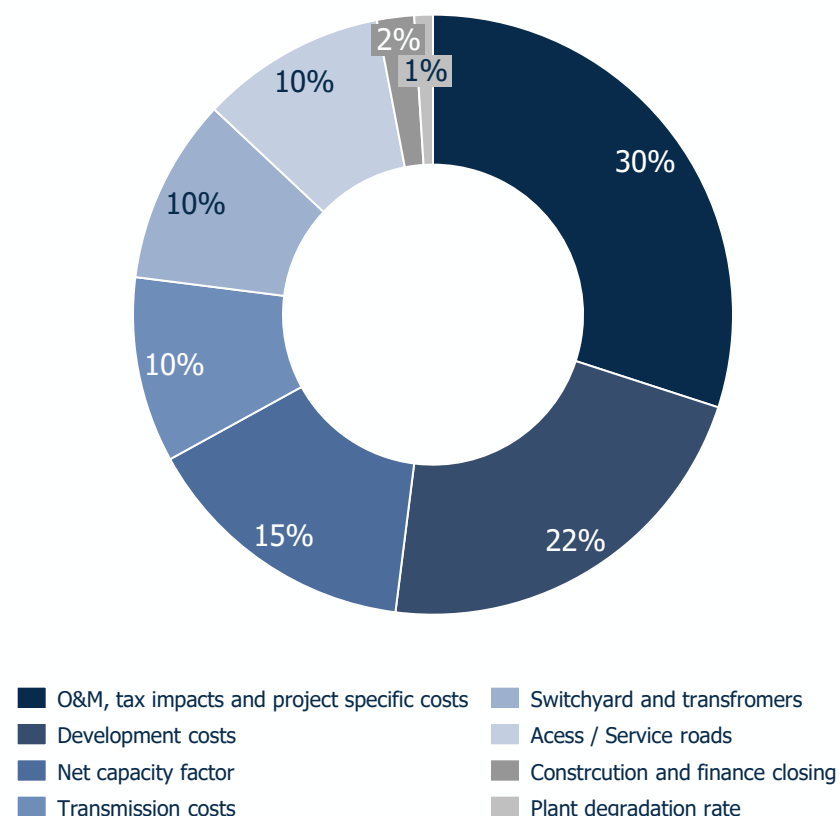
- ✓ Each bid undergoes an initial evaluation for key components
- ✓ **Project Development Cost:** Includes comprehensive expenses from planning to execution
- ✓ **Net Capacity Factor:** Efficiency measure to ensure energy reliability
- ✓ **Weighted Average Cost of Capital (WACC):** Assesses financial feasibility

Scoring system

- ✓ In the second evaluation stage, each parameter is assigned a **specific weight depending on its impact on the tariff**
- ✓ A **minimum total score of 90% is required to pass**, prioritizing critical financial and operational parameters

Weighted scoring system breakdown

Parameter weighting (in Percent)



PROJECT COMPLIANCE AND KEY REQUIREMENTS

Compliance requirements

To qualify, **bidders must provide the following supporting documents:**

- 1 Financial Model with detailed comprehensive cost and revenue projections
- 2 Cost Breakdown outlining detailed explanations for each parameter
- 3 Audited Financial Statements that verify financial readiness

Compliance expectations

- ✓ Once awarded, **winning bidders must maintain adherence to the ERC-approved operational parameters** throughout the project lifecycle
- ✓ This **commitment helps ensure consistency with national RE goals** and stable, reliable energy delivery from each project

KEY RESOURCES

GEA-3 Notice of Auction and Terms of Reference

<https://doe.gov.ph/geap/bid-bulletin-no-1?q=/geap/gea3-advisory>

Draft Price Determination Methodology (PDM) for Non-FIT-Eligible Technologies

<https://www.erc.gov.ph/Notices-Singular/83883>

Preliminary GEAR Price for Run-of-River (ROR) Hydro

<https://www.erc.gov.ph/Notices-Singular/83881>

Index Partners helps maximize value for clients in the Green Energy Auction Program

Our services

How Index Partners can help



Offtake Advisory

- **Tender Assistance:** Provide full support in preparing and submitting bids for upcoming GEAP rounds, increasing chances of securing long-term PPAs.
- **Case Study Insights:** Provide detailed analysis of past GEAP rounds, including capacity, winners, and pricing per technology to inform decision-making.
- **Securing PPAs:** Guide developers through the process of securing Power Purchase Agreements (PPAs) with various off-takers, ensuring stable, long-term revenues.



Strategic Partnerships

- **Partner Screening:** Identify and connect developers with strategic partners to create synergies and enhance the value of renewable energy ventures.
- **Joint Venture Structuring:** Index Partners facilitates joint ventures with local and international players, optimizing risk-sharing and operational success for GEAP projects.
- **Strategic Advisory:** Additional value-added guidance to ensure success of the JV going forward.



Capital Raising

- **Debt and Equity Capital Raising:** Connect developers with global and local investors to raise capital for GEAP projects, ensuring tailored financing solutions.
- **Project Structuring:** Design optimal financial structures to make projects bankable, reducing risks for both lenders and investors.

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