



June 23, 2016

MEMORANDUM No. 2016-013

TO : ALL ELECTRIC COOPERATIVES

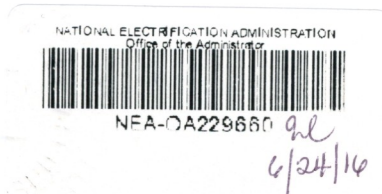
SUBJECT : Credit Facility for Renewable Energy Projects of ECs

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1. The Renewable Energy Act is promoting the development, utilization and commercialization of renewable energy resources. It declared the policy of the State to accelerate the exploration, development and utilization of renewable energy resources such as, but not limited to biomass, solar, wind, hydro, geothermal and ocean energy sources, including hybrid systems and other renewable energy technologies, in order to achieve energy self reliance and reduce dependence on fossil fuels which will minimize our exposure to price fluctuations in the international markets thereby balance the goals of economic growth and development with protection of public health and the environment.
 2. Pursuant to Section 9 of RA 10531 amending Section 16, paragraph (j) of Presidential Decree No. 269, the Electric Cooperatives (EC) are given powers to construct, acquire, own, operate and maintain generating facilities within their franchise areas.
 3. To ensure that the ECs provide clean, affordable and reliable energy supply and quality services to their consumers, the ECs are encouraged to adopt embedded sustainable energy solutions like solar farms, solar PV rooftops, mini/micro hydro and small scale wind and biomass project, and other renewable energy technologies in their franchise areas.
 4. Considering the magnitude of the amount involved, the NEA Board of Administrators approved on June 10, 2016 a credit facility that will help ECs to finance the equity requirement for the construction of renewable energy projects, and the cost of repair/rehabilitation of existing RE projects (copy attached).

For your information and guidance.


EDITA S. BUENO
Administrator

AMGD-AMD-16-06-878



CREDIT FACILITY FOR RENEWABLE ENERGY PROJECTS OF ECs

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I. Objective:

To establish a credit facility that will help Electric Cooperatives to finance the development/construction, and repair/rehabilitation of Renewable Energy (RE) projects.

II. Policy Background:

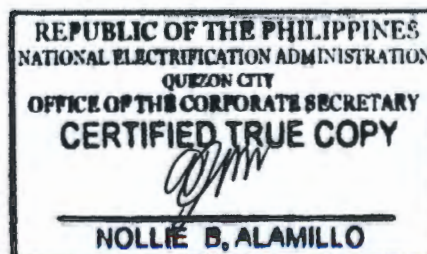
RA 9513 (Renewable Energy Act) is promoting the development, utilization and commercialization of renewable energy resources. It declared the policy of the State to accelerate the exploration, development and utilization of renewable energy resources such as, but not limited to biomass, solar, wind, hydro, geothermal and ocean energy sources, including hybrid systems and other renewable energy technologies, to achieve energy self reliance, to reduce dependence on fossil fuels which will minimize our exposure to price fluctuations in the international markets and thereby balance the goals of economic growth and development with protection of public health and the environment.

Pursuant to Section 9 of RA 10531 amending Section 16, paragraph (j) of Presidential Decree No. 269, the Electric Cooperatives (EC) are given powers to construct, acquire, own, operate and maintain generating facilities within its franchise area.

To ensure that the ECs provide clean, affordable and reliable energy supply and quality services to their consumers, the ECs are encouraged to adopt embedded sustainable energy solutions like solar farms, solar PV rooftops, mini/micro hydro and small scale wind and biomass project, and other renewable energy technologies in their franchise areas.

Based on the data gathered by the NEA Office of the Renewable Energy Development (ORED), there are 25 potential mini-hydro projects (22 for new projects and 3 for rehabilitation) with total capacity of 91.17MW and estimated project cost of P13.8B to be undertaken by the ECs. The cost to construct 1MW for mini-hydro project is approximately Php160M and for solar, about Php100M.

Considering the magnitude of the amount involved, we are proposing to open a credit facility that will help ECs to finance the equity requirement for the construction of renewable energy project, and the cost of repair/rehabilitation of existing RE project.



III. POLICY STATEMENT

NEA may finance the ECs' equity requirement for the development/construction of RE projects, and the cost of repair/rehabilitation of existing RE projects, as follows:

A. Loanable Amount:

1. For new projects, ECs' equity requirement of up to 30% of total project cost but not to exceed Php100M
2. Project cost for the repair/rehabilitation of existing RE project but not to exceed Php60M

B. Terms/Conditions:

1. 6% interest rate per annum or NEA prevailing interest rate at the time of drawdown and 4.5% interest rate during grace period
2. 12% default charge per annum
3. Maximum of 15 years repayment period
4. Maximum of 3 years grace period
5. 2% pre-termination fee if loan is taken out by banks/FIs
6. Validity period of 3 to 5 years
7. Continuing Deed of Assignment of EC's power receivables in favor of NEA

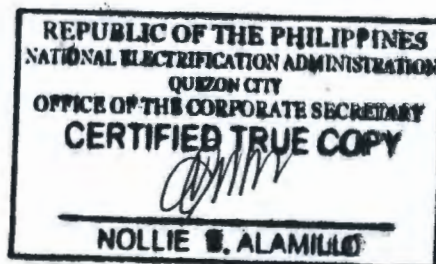
The Administrator is authorized to approve/release the loan of ECs subject to confirmation and ratification by the NEA Board of Administrators.

IV. REQUIREMENTS

To avail of the loan, the EC shall submit the following:

A. Pre-development stage of RE project

1. Board resolution stating the interest to develop a RE project
2. Board resolution to joint venture with other stakeholders (in case with partner/s)
3. Board resolution requesting for the availment of loan and further authorizing the EC General Manager and Board President to sign loan agreement and other pertinent documents for this purpose
4. Budget request for loan
5. Pre-feasibility study
6. Renewable Energy Service Contract (RESC) - Pre-development



B. Development/construction stage of RE project

1. Board resolution stating the interest to develop a RE project
2. Board resolution to joint venture with other stakeholders (in case with partner/s)
3. Board resolution requesting for the availment of loan and further authorizing the EC General Manager and Board President to sign loan agreement and other pertinent documents for this purpose
4. Budget request for loan
5. Pre-feasibility study
6. Feasibility study/ Detailed engineering design
7. Renewable Energy Service Contract (RESC) - Pre-development
8. Corporate Social Responsibility (CSR) Plan
9. Environmental Compliance Certificate (ECC) or Certificate on Non-Coverage (CNC) from DENR
10. FPIC/Certificate of Pre-condition/ Certificate of Non-Overlap from NCIP
11. LGU endorsements (Barangay to Provincial)
12. Water rights permit from NWRB or NIA (if applicable)
13. Land Conversion Certificate /Permits (If applicable)
14. Other clearances from other concerned agencies
15. 15 year Financial Projection
16. Generation rate mix

C. Repair/rehabilitation of existing RE Projects

1. Board resolution requesting for the availment of loan and further authorizing the EC General Manager and Board President to sign loan agreement and other pertinent documents for this purpose
2. Budget Request for Loan
3. Project profile including project justification, timeline of implementation of project or project feasibility study
4. Bill of materials
5. 15 year Financial Projection
6. Generation rate mix

V. EFFECTIVITY

This Policy shall be effective upon approval by the NEA Board of Administrators.

Approved by the NEA Board of Administrators on June 10, 2016
under Board Resolution No. 78 Series of 2016

