

ACCESS TO SUSTAINABLE ENERGY PROGRAMME (ASEP)

Project Development Objective

The Project Development Objective (PDO) of ASEP is to assist the Philippines in increasing access to electricity in a sustainable manner. The Project will facilitate the flow of additional private investment into rural electrification and renewable energy through output-based subsidies for the PV Mainstreaming and Rural Network Solar components, and a Pre-Paid Metering pilot.

Project Description

The Project provides investment support through an Output-Based Aid (OBA) facility, which will be financed by a European Union grant of \$20,240,000 (or €18,400,000) and co-financed by a GPOBA grant of \$3,000,000. The Project will include three main components, divided simply into:

- i. *Component 1: PV Mainstreaming (PVM)*, which entails rural electrification via solar home systems (SHS) of an estimated 40,500 households within the coverage areas of the participating ECs. Through the contributions of the European Union (EU) and GPOBA, PVM will target ECs seeking to receive grants in the form of a competitively allocated capital subsidy for SHS distribution and installation. Sustainability of the proposed scheme is based on the regulatory framework for SHS, which includes monthly service fees paid by SHS customers;
- ii. *Component 2: Rural Network Solar (RNS)*, which aims to increase renewable energy production via small, grid connected solar power plants. It is expected that 14 MW of new renewable energy generation capacity will be brought on-line as a result of the project interventions. A capital subsidy buy-down based on a least-cost, competitive approach is expected to level the playing field for grid connected solar vis-à-vis higher polluting alternatives. The subsidy made available under this component is provided by the EU; and
- iii. *Component 3: Pre-Paid Metering (PPM) Pilot*, which targets commercial efficiency at the EC level through controlled pilots - estimated at 1,000 meters - of PPM systems. This component is closely tied to a PPM analysis that will be done as part of the EU-funded, Bank-executed technical assistance to NEA.

Project Component, Cost and Financing

The OBA facility is financed from two grants that are made to the benefit of the Republic of the Philippines. The European Union is providing \$31.9-million (or €29-million) to be administered by the World Bank as a hybrid Trust Fund with Bank- and Client-executed components. The Global Partnership on Output-Based Aid (GPOBA) is providing \$3-million in support of the DOE's PV Mainstreaming Program, which is focused on EC provision of solar home systems to unelectrified Filipino households (EU subsidy support

is mostly dedicated to the PV Mainstreaming program as well). Both grants and the Government programs that they bolster are complemented by the DOE's ECPCG facility which is under expansion via PHRED, financed by a \$44-million stand-alone CTF guarantee and with implementing support of IBRD. The EU and GPOBA grants will leverage a minimum of \$14-million in co-financing of specific investments.

Program Manager

The LGU Guarantee Corporation (LGUGC), a private entity owned by the Philippines Banker's Association and the Development Bank of the Philippines, is appointed as the Program Manager of ASEP. Under the ASEP, LGUGC's responsibilities include the design and implementation of the subsidy allocation process, sourcing of supply and installation firms through competitive bidding process, verification of the installations, and recommendation of subsidy payment to World Bank. LGUGC will provide a dedicated and separate Program Management Unit (PMU) to manage the program.