



ADVISORY

TO : PRIVATELY-OWNED DISTRIBUTION UTILITIES
LOCAL GOVERNMENT UNIT-OWNED AND OPERATED
DISTRIBUTION UTILITIES
ENTITIES DULY AUTHORIZED TO OPERATE WITHIN
ECONOMIC ZONES

CC : ENERGY REGULATORY COMMISSION
NATIONAL ELECTRIFICATION ADMINISTRATION

FROM : SECRETARY RAPHAEL P.M. LOTILLA

SUBJECT : CONDUCT OF COMPETITIVE SELECTION PROCESS FOR
POWER SUPPLY USING INDIGENOUS NATURAL GAS AS
TRANSITION FUEL

DATE : 11 October 2023

Pursuant to the declared policies of the State and the functions of the Department of Energy (DOE) under Republic Act Nos. 7638¹, 9136², and 9513³, and in furtherance of the 2030 and 2040 target shares of renewable energy (RE) in the total generation mix under the Philippine Energy Plan (PEP) while ensuring the reliability and balance of the grid, the DOE issued Department Order (DO) No. DO2023-10-0022, titled "*Directing the National Electrification Administration to Facilitate the Joint Conduct of Competitive Selection Process for the Power Supply of Electric Cooperatives Using Indigenous Natural Gas As Transition Fuel.*"

To pursue: (a) the energy transition in a manner that meets the energy security requirements of the country, and (b) a holistic, inclusive, transparent, fair and optimal development and utilization of natural gas in the electric power industry, the participation and support of all distribution utilities (DUs) will be equally crucial and significant as DUs may also need to contract a portion of their power requirements from natural gas as transition fuel.

In view of the foregoing and to harmonize with the joint Competitive Selection Process (CSP) to be undertaken by the National Electrification Administration for electric cooperatives pursuant to the said DO, the DOE hereby encourages all DUs in the Luzon Grid to conduct the necessary and appropriate CSP, either aggregated or separate, for sourcing a portion of their electricity requirements from natural gas-fired power plants to meet their demand requirements in accordance with the available supply of natural gas and to observe the following principles and objectives, as provided in DO2023-10-0022:

¹ Department of Energy Act of 1992

² Electric Power Industry Reform Act of 2001 or EPIRA

³ Renewable Energy Act of 2008

1. Ensure adequate and optimal allocation of natural gas for the provision of reliable supply and reasonably priced electric power to complement the variability of RE and achieve the desired targets under the PEP;
2. Encourage the full utilization of indigenous natural gas, including the aggregation and blending thereof, to develop the domestic natural gas industry;
3. Ensure a market for existing and future production and utilization of indigenous natural gas;
4. Provide a transparent and competitive environment for natural gas stakeholders, specifically the DU offtake for brownfield and greenfield natural gas power facilities;
5. Achieve the execution of the necessary power supply contracts with natural gas-fired power generation facilities; and
6. Ensure that the DUs' conduct of CSP for the demand for transition fuel is consistent with their obligation as Mandated Participants under the Renewable Portfolio Standards and their obligation to supply their captive customers in the least cost manner, and shall not result in over-contracting of power supply.

All concerned stakeholders shall perform their CSP in accordance with Department Circular No. DC2023-06-0021 and the pertinent implementing guidelines of the Energy Regulatory Commission.

Thank you.


RAPHAEL P.M. LOTILLA
Secretary

