



Republic of the Philippines
DEPARTMENT OF ENERGY

Department Circular No. DC2020 - ___ - _____

**ADOPTING A GENERAL FRAMEWORK GOVERNING THE TEST AND
COMMISSIONING OF GENERATION FACILITIES**

WHEREAS, Section 2 of Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA), declared as the policy of the State to ensure the quality, reliability, security and affordability of the supply of electric power;

WHEREAS, Section 37 of the EPIRA further mandates the Department of Energy (DOE) to supervise the restructuring of the electricity industry, and in addition thereto, to a) *ensure the reliability, quality and security of supply of electric power*; b) *jointly with the electric power industry participants, establish the wholesale electricity spot market and formulate the detailed rules governing the operations thereof*; and c) *monitor private sector activities relative to energy projects in order to attain the goals of the restructuring, privatization, and modernization of the electric power sector as provided for under existing laws*;

WHEREAS, Section 6 of Republic Act No. 9136 (R.A. 9136) or the Electric Power Industry Reform Act of 2001 (EPIRA) states that a Generation Company shall, before it operates, secure from the Energy Regulatory Commission (ERC) a Certificate of Compliance (COC);

WHEREAS, Section 6 of the EPIRA provides that a COC refers to a license issued by the ERC in favor of a person or entity to operate a power plant or other facilities used in the generation of electricity;

WHEREAS, for purposes of registration to the Wholesale Electricity Spot Market (WESM), the Market Operator requires the submission of pertinent information consistent with the information contained in the COC issued by the ERC in accordance with the Market Manual on Registration, Suspension and De-Registration Criteria and Procedures;

WHEREAS, Generation Companies operating a Renewable Energy “RE” Plant, applying to operate under the Feed-in Tariff “FIT” System, shall be allowed to operate and be entitled to payment of FIT only upon the issuance of a COC explicitly indicating FIT eligibility of the said RE Plant;

WHEREAS, DOE Department Circular No. DC2013-05-0009 entitled “*Guidelines for the Selection Process of Renewable Energy Projects under Feed-in-Tariff System and the Award of Certificate of Feed-in-Tariff Eligibility*”, provided for the guidelines that will cover the selection and awarding of RE Plants for FIT eligibility;

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WHEREAS, Article I, Section 2 (iii) of the 2014 Revised Rules for the Issuance of Certificates of Compliance (COCs) for Generation Companies and Entities with Generation Facilities prescribed a maximum period of two (2) months for the conduct of Test and Commissioning for new Generation Facilities;

WHEREAS, based on the monitoring of the Market Surveillance Committee and the Independent Electricity Market Operator of the Philippines (IEMOP) which was reported to the DOE, several plants were recorded to have exceeded the two-month Test and Commissioning period;

WHEREAS, based on the data from the IEMOP, thirty eight (38) plants were on prolonged Test and Commissioning with the longest period being 1904 days, as of 01 April 2020;

WHEREAS, the extended Test and Commissioning of generating facilities pose material effect to WESM outcomes by displacing scheduled generators while not being required to comply with requirements for submission of offers or projected outputs;

WHEREAS, the DOE cognizant of the need to address any policy gaps and ensure the optimal utilization of available capacities in Grid, conducted review of all relevant policies and guidelines and subjected these to focus group discussions (FGDs) during the various dates as follows:

Leg	Date	Venue
Luzon	11 November 2019	Metro Manila
Visayas	14 November 2019	Cebu City
Mindanao	19 November 2019	General Santos City

WHEREAS, among others, the following inputs and recommendations by stakeholders were noted during the FGDs:

- a) Various test and commissioning activities are conducted by the different entities (i.e. plant contractor, Transmission Network Provider) to meet various specifications and standards;
- b) Allowable period for the conduct of Test and Commissioning should be differentiated for various technologies;
- c) Revisit the definition of Test and Commissioning in the COC Rules; and
- d) Need to develop definite procedures for the conduct of Test and Commissioning.

WHEREAS, the DOE deemed it necessary to promulgate policies to address the aforementioned issues;

NOW, THEREFORE, pursuant to its authority and mandate under the EPIRA and its Implementing Rules and Regulations (IRR), and after due consideration of the inputs from various stakeholders, the DOE hereby issues, adopts and promulgates the following:

98 **Section 1. General Principles**

- 99 1.1 No Generation Company and its Generating Unit/s shall commercially operate
100 and participate in the WESM unless it has secured a Certificate of Compliance
101 from the ERC;
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- 103 1.2 No other certification, aside from the COC, shall qualify as license to operate
104 under commercial operations;
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- 106 1.3 All Generation Company/ies intending to conduct Test and Commissioning of
107 their Generating Units shall comply with the requirements provided under this
108 Circular and the applicable ERC guidelines for the issuance of the COC; and
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- 110 1.4 The conduct of Test and Commissioning shall not adversely affect the security
111 and reliability of grid operations as well as the competitiveness of market
112 outcomes.

113 **Section 2. Scope and Application.** This Circular shall apply to the following:

- 114 a) Generation Companies operating or intending to operate Generation
115 Facilities;
116 b) System Operator (SO);
117 c) Market Operator (MO); and
118 d) Network Service Providers (NSPs) including the Transmission Network
119 Provider (TNP) and Distribution Utilities (DUs).

120 Entities operating Self-Generating Facilities are excluded from the Scope of this
121 Circular.
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123 **Section 3. Definition of Terms.** The terms as used in this Circular shall have their
124 respective meanings as follows:

- 125 a) **“Certificate of Compliance” or “COC”** refers to a license issued by
126 the ERC in favor of a person or entity to operate a power plant or other
127 facilities used in the generation of electricity pursuant to Section 6 of
128 R.A. 9136 and Section 4 of the Implementing Rules and Regulations of
129 R.A.9136.
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- 131 b) **“Commercial Operations”** refer to the generation of electricity for sale
132 or disposition of a Generation Facility with a valid COC issued by the
133 ERC.
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- 135 c) **“Electromechanical Completion”** shall mean that the whole plant
136 including all substation and other facilities for grid or distribution system
137 connections are in place and fully commissioned in accordance with
138 owner and manufacturer specifications.
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- 140 d) **“Embedded Generator”** refers to generating units that are indirectly
141 connected to the Grid through the distribution system that supplies
142 power to its host DU or the Grid.
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- 144 e) **“Generation Company”** refers to any person or entity authorized by

145 ERC to operate Generation Facilities.

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147 f) **“Generation Facility”** refers to a facility for the production of electricity.

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149 g) **“Provisional Authority to Operate”** or **“PAO”** refers to the certification
150 issued by the ERC, with a specific date of validity, to a Generation
151 Company, allowing the conduct Test and Commissioning with respect to
152 its Generation Facility/ies.

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154 h) **“Test and Commissioning”** refers to conduct of set of procedures to
155 show that a Generation Facility was erected and connected in
156 accordance with the Philippine Grid Code, Philippine Distribution Code
157 and other relevant guidelines and specifications and to determine
158 readiness to deliver energy to Grid or distribution network.

159 i) **“Variable Renewable Energy (VRE) Generation Facility”** refers to a
160 generation facility whose renewable energy resource is location specific,
161 naturally difficult to precisely predict the availability of the RE Resource
162 thereby making the energy generated variable, unpredictable and
163 irregular, and the availability of the resource inherently uncontrollable,
164 which include plants utilizing wind, solar, run-of-river hydropower, or
165 ocean energy.

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167 All other terms used but not defined in this Circular shall have the same meaning as
168 defined in the EPIRA, its IRR, PGC, PDC, WESM Rules and its Market Manuals.

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170 **Section 4. General Test and Commissioning Procedures.** The maximum period for
171 Generation Companies to conduct Test and Commissioning activities is two (2)
172 months for the purpose of securing a COC from the ERC. This shall also apply to
173 Generation Companies applying for FIT-Eligible COC.

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175 4.1 **Timeline for Test and Commissioning**

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177 4.1.1 The maximum period for Generation Companies to conduct Test and
178 Commissioning activities is two (2) months for the purpose of securing a COC
179 from the ERC. This shall also apply to Generation Companies applying for FIT-
180 Eligible COC.

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182 4.1.2 The MO and the SO in consultation with the ERC, shall review the maximum
183 allowable period for the conduct of Test and Commissioning and recommend
184 to the DOE revision on the same as necessary with consideration on the varying
185 Test and Commissioning procedures per technology. The review shall consider
186 the factors such as technology limitations, procedural issues encountered
187 during the implementation of this Circular.

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189 4.2 **Procedures Before Test and Commissioning**

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191 4.2.1 A Generation Company shall only apply for a COC upon attainment of
192 Electromechanical Completion of its generating facility.

- 193 4.2.2 Electromechanical Completion is deemed attained upon submission of the
194 Generation Company to the DOE of proof that construction phase is 100%
195 completed as may be determined from the developer's Engineering,
196 Procurement and Construction (EPC) contract or construction and
197 development timeline under the approved work plan.
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- 199 4.2.3 The following certification issued by the DOE shall serve as proof of
200 Electromechanical Completion.
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- 202 a) Certificate of Endorsement for FIT Eligibility for RE generating facilities
203 intending to avail FIT; and
 - 204 b) Certificate of Endorsement for RE generating facilities not intending to
205 avail FIT and non-RE generating facilities.
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- 207 4.2.4 The Generation Company shall advise the TNP of its intention to conduct test
208 and commissioning six (6) months before target Electromechanical Completion.
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- 210 4.2.5 The ERC shall issue a Provisional Authority to Operate (PAO), indicating the
211 start and end date for Test and Commissioning. The Generation Company shall
212 furnish a copy and updated status thereof to the MO and SO.
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- 214 4.2.6 Upon receipt of the PAO, the Generation Company shall:
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- 216 a) Register in the WESM for purposes of including its Generating Facility
217 in the dispatch schedule during the duration of Test and Commissioning.
218 Notwithstanding, the Generating Facility shall only be considered in
219 Commercial Operations by the MO upon submission of COC; and
 - 220 b) Request the TNP for Test and Commissioning schedule.
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- 222 4.3 ***Procedures During Test and Commissioning***
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- 224 4.3.1 The Generation Company shall comply with the TNP with respect to activities
225 to be conducted during Test and Commissioning.
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- 227 4.3.2 The MO, in coordination with the SO, shall impose over-riding constraints in the
228 Market Dispatch Optimization Model (MDOM) to account for energy injections
229 of Generation Facilities undergoing Test and Commissioning.
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- 231 4.3.3 Generating Companies undergoing Test and Commissioning in the WESM,
232 shall be considered as price takers in the WESM for any injected energy,
233 provided that it has a valid PAO.
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- 235 4.3.4 The MO shall notify in writing the Generation Company the date of expiry of the
236 PAO fifteen (15) days prior.
- 237 4.3.5 Immediately upon expiry of the PAO issued to the Generation Company:
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- 239 a) The MO shall consider the WESM registration of the Generation Facility
240 on hold until completion of all registration requirements including
241 submission of COC.
 - 242 b) The MO in coordination with the SO shall cease the imposition of over-

243 riding constraints in the MDOM with respect to the injection of the
244 Generation Facility.
245 c) The Generation Company shall not be entitled to any FIT and WESM
246 payments for any injected energy arising from operations beyond the
247 allowable Test and Commissioning period and the period coverage of
248 PAO.

249 4.3.6 In the event that no COC is issued and submitted to the MO and SO, after
250 fifteen (15) days from the PAO expiry, the Generation Facility shall be subject
251 to disconnection from the Grid or Distribution Network in accordance with
252 existing guidelines thereof.
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254 4.4 **After Test and Commissioning**

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256 4.4.1 Upon completion of the conduct of Test and Commissioning, the TNP shall
257 issue a certification of completion to the Generation Company and submit the
258 same to the ERC.
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260 4.4.2 The ERC upon receipt of the certification of completion of Test and
261 Commissioning and satisfaction of other applicable requirements, shall
262 immediately issue the COC of the respective Generation Company.
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264 4.4.3 Upon the receipt of the issuance of the COC from the ERC, the Generation
265 Company shall submit a copy of the same to the MO, SO and the DOE.
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267 4.4.4 The MO upon receipt of the COC, shall immediately provide full access to the
268 Market Participant Interface and grant full WESM registration to the Generation
269 Company.
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271 4.5 **Extension of PAO Validity**

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273 4.5.1 In cases wherein the Generation Company fails to complete the conduct of Test
274 and Commissioning within the prescribed period, the Generation Company
275 shall apply for an extension of its PAO from the ERC for a period not more than
276 one (1) month.
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278 4.5.2 The ERC shall extend the validity of PAO on the following grounds:

279 a) The Generation Company was not able to conduct Test and
280 Commissioning, due to resource limitations of a VRE generation facility
281 resulting to non-completion of test and commissioning procedures that
282 require generating facility to produce at full capacity, resulting from:

- 283 i. Adverse impact of weather conditions for Solar and Wind
284 Resources; and
- 285 ii. Unavailability of water for Hydro Resources.
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287 b) Test and commissioning procedures cannot be done due to various Grid
288 conditions resulting from:

- 289 i. Alerts or emergency state; and
- 290 ii. Transmission line congestion or limitation.
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292 c) Force majeure events.

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294 Inability to complete Test and Commissioning due to technical issues internal to
295 the Generating Facility shall not be considered a ground for extension. In this
296 case, the COC application shall be deemed withdrawn and the Generation
297 Company must again attest to achievement of Electromechanical Completion.

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299 **Section 5. Additional Responsibilities of the System Operator.** The SO shall:

300 5.1 Ensure reliability of Grid Operations during Test and Commissioning of
301 Generation Facilities; and

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303 5.2 Notify the DOE and ERC of instances when Test and Commissioning has
304 adverse impacts to Grid operations.

305 **Section 6. Additional Responsibilities of the Transmission Network Provider.**

306 The TNP shall:

307 6.1 Ensure timely conduct of Test and Commissioning procedures of Generation
308 Facilities;

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310 6.2 The TNP shall develop Test and Commissioning Guidelines for Grid connected
311 Generation Facilities.

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313 6.3 The TNP in coordination with Distribution Utilities shall develop Test and
314 Commissioning Guidelines for Embedded Generators.

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316 6.4 The TNP shall submit the said Guidelines to the DOE and ERC within sixty (60)
317 days from the effectivity of this Circular; and

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319 6.5 Ensure adherence to the Maximum Allowable Period for Test and
320 Commissioning and report to the DOE and ERC any instances of violation by
321 Generation Facilities.

322 **Section 7. Additional Responsibilities of the Market Operator.** The MO shall:

323 7.1 Submit to the Rules Change Committee proposed changes to the WESM Rules
324 and relevant Market Manuals in accordance with the policy provided herein as
325 necessary;

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327 7.2 Ensure timely processing of applications for registration of Generation
328 Companies undergoing Test and Commissioning;

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330 7.3 Ensure timely updating of the WESM Market Network Model and close
331 coordination with the System Operator; and

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333 7.4 Ensure adherence to the maximum allowable period for Test and
334 Commissioning and report to the DOE and ERC any instances of violation by
335 Generation Facilities.

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337 **Section 8. Regulatory Support.** The ERC shall:
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339 8.1 Review, update and harmonize with the DOE MO, SO and the TNP, as
340 necessary, all pertinent resolutions and regulations relevant to the
341 implementation of the policies stated under this Circular and promulgate
342 guidelines on the same;
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344 8.2 Closely monitor and maintain an updated recordkeeping of inventory of
345 Generation Facilities undergoing Test and Commissioning;
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347 8.3 Ensure timely issuance of PAO and COC, consistent with the timelines
348 provided in this Circular; and
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350 8.4 Implement enforcement and penalty mechanisms in cases of non-compliance
351 with this Circular by any Electric Power Industry Participant identified herein.
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353 **Section 9. Separability Clause.** If for any reason, any section or provision of this
354 Circular is declared unconstitutional or invalid, such parts not affected shall remain
355 valid and subsisting.
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357 **Section 10. Repealing Clause.** Any department circular or issuance, contrary to or
358 inconsistent with this Circular is hereby repealed, modified or amended accordingly.
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360 **Section 11. Effectivity.** This Circular shall take effect fifteen (15) days after
361 publication in at least two (2) newspapers of general circulation. Let copy of this
362 Circular be furnished the University of the Philippines Law Center - Office of National
363 Administrative Register (UPLC-ONAR).
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366 Issued this _____ 2020 at the DOE, Energy Center, Rizal Drive, Bonifacio
367 Global City, Taguig City, Metro Manila.
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ALFONSO G. CUSI
Secretary

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