



MEMORANDUM

TO : ALL STAKEHOLDERS IN THE OFF-GRID AREAS

FROM : UNDERSECRETARY EMMANUEL P. JUANEZA

SUBJECT : ADVISORY ON THE RATIONALIZATION OF UC-ME SUBSIDY PURSUANT TO RULE 10 OF THE DEPARTMENT CIRCULAR NO. DC2019-01-0001 ENTITLED "OMNIBUS GUIDELINES ON OFF-GRID POWER DEVELOPMENT AND OPERATION"

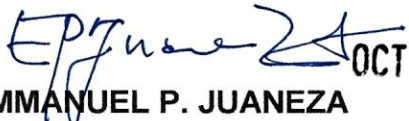
DATE : 08 October 2020

In view of Rule 10.1 of DC2019-01-0001, which states that the Department shall "study and formulate new policies and programs to rationalize existing tariffs in off-grid areas, including the removal of the universal charge for missionary electrification (UC-ME) subsidy in consultation with the concerned stakeholders", the DOE hereby declares the following:

1. The DOE reiterates its 24 May 2019 Advisory/Memorandum which provides that the purposes of the subsidy rationalization policy are to ensure an efficient and well-targeted provision of subsidies and to reduce the social inequity in the implementation of the program. It was also emphasized that there will be "no abrupt removal of UC-ME subsidy without appropriate safety nets to mitigate the effect of the rationalization to the household consumers in off-grid areas".
2. For this purpose, the DOE is currently conducting the Subsidy Rationalization Study through the assistance of the European Union-Access to Sustainable Energy Programme to provide an evidence-based analysis on the demand side aspects of the subsidy rationalization framework. The results of the study will be completed by December 2020.
3. The Department will be issuing a supplementary Circular in accordance with the said Rule, defining the new strategies and initiatives to rationalize existing tariffs in off-grid areas, including the phase-out of the UC-ME subsidy in a socially acceptable manner at a certain transition period.
4. In this regard, the policies and procedures on the provision of UC-ME subsidy to the electricity rates of the generation for both existing and upcoming New Power Providers (NPP) in off-grid areas shall continue until a new tariff and subsidy rationalization policy is issued by the DOE and implemented through a complementary regulation of the Energy Regulatory Commission (ERC).

5. The concerned distribution utilities, NPPs, the National Power Corporation and the National Electrification Administration, are enjoined to undertake a collective due diligence in facilitating and negotiating the eligibility of the new Power Supply Agreements to the UC-ME in line with energy efficiency and the subsidy rationalization policy, subject to the full review and approval by the ERC. Moreover, the UCME-Subsidy Agreement (SA) shall be deemed terminated if the franchise area is not included in the qualified target area for UCME-SA.

For guidance and strict compliance.

 OCT 08 2020
EMMANUEL P. JUANEZA
Undersecretary