

**DEPARTMENT CIRCULAR NO. DC \_\_\_\_ - \_\_\_\_ - \_\_\_\_**

**PRESCRIBING THE POLICIES TO ENHANCE AND FACILITATE  
DEMAND SIDE PARTICIPATION TO AUGMENT ENERGY SUPPLY  
SECURITY USING RENEWABLE ENERGY**

**WHEREAS**, Republic Act No. (RA) 7638, otherwise known as the “Department of Energy (DOE) Act of 1992”, declares as a policy of the State to, among others, ensure a continuous, adequate and economic supply of energy through the integrated and intensive exploration, production, management and development of the country’s indigenous energy resources;

**WHEREAS**, RA 9136, otherwise known as the “Electric Power Industry Reform Act of 2001” or “EPIRA”, provides that it is the declared policy of the State to, among others: (a) assure socially and environmentally compatible energy sources and infrastructure; and (b) promote the utilization of indigenous and new and renewable energy (RE) resources in power generation in order to reduce dependence on imported energy;

**WHEREAS**, Section 37 of EPIRA mandates the DOE to encourage private sector investments in the electricity sector and promote the development of indigenous and RE resources;

**WHEREAS**, RA 9513, otherwise known as the “Renewable Energy Act of 2008” or the “RE Act”, provides that it is the declared policy of the State to accelerate the exploration and development of RE resources including hybrid systems, to achieve self-reliance, strategies to reduce the country’s dependence on fossil fuels and thereby minimize the country’s exposure to price fluctuations in the international markets, the effects of which spiral down to almost all sectors of the economy;

**WHEREAS**, the RE Act further provides the declared policy of the State to increase the utilization of RE by institutionalizing the development of national and local capabilities in the use of RE Systems, and promoting their efficient and cost-effective commercial application by providing fiscal and non-fiscal incentives;

**WHEREAS**, on 27 May 2013, ERC issued a Resolution No. 9, Series of 2013 entitled “*A Resolution Adopting the Rules Enabling the Net-Metering Program for Renewable Energy*” or the “Net-Metering Rules”;

**WHEREAS**, a review of the implementation of Net-Metering Program from July 2013 to December 2019 showed that a total of 25 MW of Net-Metering facilities (from 3,132 Qualified End-Users) have been installed in the

Philippines, wherein 62.6% of it are located within the franchised area of one Distribution Utility (DU), equivalent to only 0.17% of the 2018 total non-coincident peak demand of 14,782 MW;

**WHEREAS**, despite the high potential of RE resources in the country, numerous economic and non-economic barriers under the current design of the Net-Metering Program have contributed to low level of participation from the Electricity End-Users;

**WHEREAS**, on 22 December 2017, the DOE issued the Department Circular No. DC2017-12-0015 entitled, *“Promulgating the Rules and Guidelines Governing the Establishment of the Renewable Portfolio Standards for On-Grid Areas,”* or the “RPS On-Grid Rules” where every energy produced or generated by Eligible RE Facilities under Net-Metering Program and by Eligible RE Facilities installed in the End-User’s premises for Own-Use and synchronized to the DU’s system are eligible to earn RE Certificates, which shall be credited as compliance of the host DUs in its obligation as a Mandated Participant under the RPS On-Grid Rules;

**WHEREAS**, in order to realize the objectives of the RE Act, the DOE is pursuing its mandate increase the country’s development, utilization and commercialization of RE Resources through promulgating and issuing relevant policies and programs, such as RPS Off-Grid Rules, Green Energy Option Program (GEOP) Rules, RE Market Rules;

**WHEREAS**, these RE market development mechanisms, when fully implemented is seen to boost the utilization of RE through distributed energy systems;

**WHEREAS**, the DOE, in partnership with the United States Agency for International Development through the Clean Power Asia Program with expertise from the National Renewable Energy Laboratory, Lawrence Berkeley National Laboratory and Chulalongkorn University, conducted a study on the Net-Metering Program, composed of data-driven analysis on three key impacts, namely: customer economics; utility revenue and retail rate; and technical impact on the distribution grid;

**WHEREAS**, the study, after conduct of focused group discussions with various stakeholders, resulted to the publication of the *“Distributed Photovoltaic Economic and Technical Impact Analysis in Philippines”*, covering potential policy and regulatory revisions;

**WHEREAS**, on 16 August 2019, the ERC issued the Resolution No. 06, Series of 2019 entitled *“Adopting the Amendments to the Rules Enabling the Net-Metering Program for Renewable Energy”* or the “Amended Net-Metering Rules”;

**WHEREAS**, as part of securing the views, comments, and suggestions from the stakeholders on the draft Department Circular, entitled as *“Policies to Enhance the Net-Metering Program for Renewable Energy Systems and Other Mechanisms to Ensure Energy Security”*, the DOE conducted a series of public consultations on 08 October 2019 in Taguig City, Metro Manila, 10 October 2019 in Cebu City and 24 October 2019 in Davao City, and a dialogue with the ERC on 02 March 2020;

**NOW, THEREFORE**, after due consideration of the above, the DOE hereby adopts the following rules and regulations:

**Section 1. Title.** This Department Circular shall be known as *“Prescribing the Policies to Enhance and Facilitate Demand Side Participation to Augment Energy Supply Security Using Renewable Energy.”*

**Section 2. Purpose.** This Circular aims to encourage and promote electricity End-Users’ participation in the Net-Metering Program and into other mechanisms introduced herein by enhancing the current commercial arrangements, while ensuring the economic and technical viability both from the perspective of the End-User and the DU.

**Section 3. Scope.** This Circular sets out the policies and guidelines on the following:

- (a) Providing complementary enhancements to the Net-Metering Program arrangements in support to the ERC issued Resolution No. 06, Series of 2019; and
- (b) Introducing new voluntary mechanisms to facilitate participation of Electricity End-Users with RE systems for own use with capacity of above 100 kW to export all or portion of its energy generation during power supply shortages and emergency situations similar to the Interruptible Load Program (ILP) currently employed by the DUs with their consumers during supply shortages.

**Section 4. Definition of Terms.** As used in this Circular, the following terms are herein defined:

- (a) **“Distributed Generation”** refers to a system of small generation entities supplying directly to the distribution grid, any one of which shall not exceed one hundred kilowatts (100 kW) in capacity, as defined in Section 4(j) of the RE Act;
- (b) **“Distribution System”** refers to the system of wires and associated facilities belonging to a franchised Distribution Utility extending between

the delivery points on the transmission or sub-transmission system or generator connection and the point of connection to the premises of the End-User, as defined in Section 4(o) of EPIRA;

- (c) **“Distribution Utility” or “DU”** refers to any electric cooperative, private corporation, government-owned utility or existing local government unit which has an exclusive franchise to operate a Distribution System in accordance with its franchise and RA No. 9136, as defined in Section 4(l) of the RE Act;
- (d) **“Electricity End-User” or “End-User”** refers to any person or entity requiring the supply and delivery of electricity for its own use, as defined in Section 4(t) of EPIRA;
- (e) **“Energy Regulatory Commission” or “ERC”** refers to the independent quasi-judicial regulatory agency created pursuant to EPIRA and as defined in Section 4(n) of the RE Act;
- (f) **“Grid”** refers to the high voltage backbone system of interconnected transmission lines, substations, and related facilities as defined in Section 4(z) of EPIRA;
- (g) **“Net-Metering”** refers to a system, appropriate for Distributed Generation, in which a distribution grid user has a two-way connection to the grid and is only charged for his electricity consumption and is credited for any overall contribution to the electricity grid as defined in Section 4(gg) of the RE Act;
- (h) **“On-Grid System”** refers to electrical systems composed of interconnected transmission lines, distribution lines, substations, and related facilities for the purpose of conveyance of bulk power on the grid of the Philippines as defined in Section 4(kk) of the RE Act;
- (i) **“Qualified End-Users”** refers to entities that produces electric power from an eligible on-site RE generating facility, such as, but not limited to, house or office building with photovoltaic system that can be connected to the grid, for the purposes of entering into a Net-Metering agreement, as defined in Section 7 of the RE Act-IRR;
- (j) **“Renewable Energy Certificate” or “RE Certificate”** refers to a certificate issued by the RE Registrar to Mandated Participants of the RPS showing the energy sourced, produced, and sold or used from the Eligible RE Systems. The definition of RE Certificate as defined under Section 3(tt) of the RE Act-IRR is hereby revised;

- (k) **"RE Project for Own-Use"** shall refer to an RE Project located within the premises of or in an area contiguous to an End-User's premises, and operated solely for the supply of a portion or all of the electricity requirements of such End-User. For this purpose, an "End-User" shall refer to any person or entity requiring the supply and delivery of electricity generated by the RE Project dedicated for its own consumption, which facility is installed either by the End-User or through a third-party provider; and
- (l) **"Renewable Portfolio Standards" or "RPS"** refers to a market-based policy that requires electric power industry participants, including suppliers, to source a portion of their energy supply from eligible RE Resources, as defined in Section 4(ss) of the RE Act.

## **CHAPTER I ENHANCEMENT OF THE NET-METERING PROGRAM**

**Section 5. Classical Net-Metering.** The ERC may consider the adoption of the Classical Net-Metering as described under Section 7 of the Implementing Rules and Regulations of the RE Act where the electric power generated by a Qualified End-User from an eligible on-site RE generating facility and delivered to the local distribution grid may be used to offset electric energy provided by the DU to the End-User during the applicable period.

In this method, the following commercial arrangements shall be considered:

- (a) The Qualified End-User shall be charged on the amount based on its net-metered consumption (imported energy less the exported energy) plus a fixed charge based on its exported energy, provided that the subsidies, i.e., lifeline subsidy and senior citizen subsidy, shall be based on its actual energy consumption (imported energy and own-use);
- (b) Excess generation from the first billing period is valued as energy (kWh) and kept as credits that offset energy consumption in subsequent billing periods. Any remaining credits at the end of the twelfth billing period, if any, shall be forfeited;
- (c) The DU shall no longer charge its consumers on the energy exported from the Net-Metering as part of its blended generation rate. All cost incurred by the DU as the host of Net-Metering including, metering, supply, and storage, shall be charged only to Qualified End-Users as fixed charge, which amount shall be subject to determination and approval of the ERC. The ERC, however, shall give due consideration to the investments made by the Qualified End-Users while the RE Certificates earned through the Net-Metering are credited to the DU;

- (d) Upon determination and approval of the ERC, all outstanding peso credit of the host DUs shall be credited to the next six (6) billing periods of the Qualified End-Users; and
- (e) All Qualified End-Users are encourage to review and assess the impact of the new commercial arrangement on its system and may consider resizing of their RE System in order to maximize the return of investments.

**Section 6. Banking of Net Metering Credits.** To avoid the oversizing of the RE Facility to an End-User, and in order to maintain the status as a Qualified End-User, the DOE hereby prescribes a one-year banking period for the Net-Metering Arrangement. The DUs, in consultation with the ERC, shall define the transition period to disburse all outstanding peso credit to their respective Qualified End-Users.

**Section 7. Application to Off-Grids or Isolated Grid Systems.** Subject to technical considerations, Net-Metering for RE filed by End-Users shall be allowed in areas not connected to the three major electrical transmission grids, namely: Luzon, Visayas and Mindanao.

**Section 8. Review by the DOE and ERC.** The compensation mechanism shall be subject to a review and evaluation by the DOE and ERC every two (2) years, from the effectivity of this Circular, to ensure that the Net Metering Program redounds to the greater benefit of all Electricity End-Users.

## **CHAPTER II SUPPLY AUGMENTATION MECHANISM FOR RENEWABLE ENERGY SYSTEMS**

**Section 9. Export from RE Projects for Own-Use with Capacity Above 100 kW.** As far as practicable and to facilitate additional supply during emergency situations or supply shortages, any RE Project for Own-Use with a capacity of more than 100 kW may export all or partial of its energy generation into the grid, subject to the following conditions:

- (a) All interested End-Users intending to participate in this program shall inform their franchised DU on their intention to export excess energy generation into the grid, which general shall be the same concept as ILP;
- (b) The franchised DU may or may not accept the offer from the End-User. In case of denial, the franchised DU shall, within seven (7) working days

from receipt of the offer, disclose to its End-User the reason for such denial, copy furnish DOE and ERC;

- (c) The RE Project for Own-Use shall remain zero-export at normal grid condition, and shall have an option to export all or portion of its energy generation during power supply shortages and/or emergency situations;
- (d) The exported energy shall be bought by the DU based on its blended generation rate or any pricing methodology as determined by the ERC; and
- (e) The provisions of all necessary interconnection and metering facilities shall be agreed upon by the End-Users and concerned DU and in accordance with the rules and regulations of the ERC.

### **CHAPTER III OBLIGATIONS AND RESPONSIBILITIES**

**Section 10. Rights and Obligations of the DUs.** The DUs shall, in the implementation of Chapter I and Chapter II of this Circular, be responsible on the following:

- (a) To ensure the technical viability and safety of integrating the RE System into the grid and expedite the processing and approvals, any franchised DU with application for either Net Metering Arrangement or Supply Augmentation Agreement (SAA) shall conduct Distribution Impact Studies (DIS) on a feeder-specific level. Towards this end, all DUs shall publish their respective hosting capacities that may be available for Net-Metering and RE Projects for Own-Use on a per feeder or sector basis;
- (b) The electricity generated and exported by the RE System into the grid shall be compensated by the DU in accordance with the pricing methodology as determined by the ERC;
- (c) All DUs are mandated to process all applications following the timelines set forth under Republic Act No. 11234 or the “Energy Virtual One Stop Shop Act” or “EVOSS” and DOE Circular No. DC2019-05-007, the Implementing Rules and Regulations.
- (d) By virtue of its franchise rights, the DU has the power to terminate its services to any End-User should it find any on-site RE System that has not gone through proper application process; and

- (e) All DUs are required to submit to the DOE through its Renewable Energy Management Bureau, the list of grid-connected RE Systems with corresponding capacity and resource/technology used under their respective franchised area every 15<sup>th</sup> day of February of the year.

**Section 11. Responsibilities of the DOE.** The DOE shall be responsible on the following:

- (a) Provide guidelines and trainings for DUs to determine if a DIS is necessary via process such as screening criteria, feeder hosting capacity studies or cluster studies to support the DU on its obligation in conducting DIS and minimize their incurred cost; and
- (b) Develop a guidebook on procedures and standards for Net-Metering (i.e. service offers, product standards, proper sizing, installation manual, after-sales requirements, etc.) which will be used by all stakeholders including suppliers, customers, and financing institutions.

**Section 12. Responsibility of the National Electrification Administration (NEA).** The NEA shall provide necessary technical and financial assistance to all Electric Cooperatives in conducting Distribution Impact and Asset Studies.

**Section 13. Responsibility of the Local Government Units (LGUs).** All LGUs shall observe strict compliance with RA 11234 or the “Energy Virtual One Stop Shop (EVOSS) Act” and RA 11032 or the “Ease of Doing Business (EODB) Act” in processing permits and licenses related to application for Net-Metering and RE Projects for Own-Use, e.g., Building Permit, Certification of Final Electrical Inspection, among others.

**Section 14. Responsibilities of the ERC.** To ensure that the provisions of this Circular be implemented properly and encourage utilization and new investments in RE while ensuring customer protection, the ERC is hereby responsible for the following:

- (a) Conduct of review on the proposed commercial arrangement for Net-Metering Program under this Circular and, further revision of the Amended Net-Metering Rules including the Net-Metering Interconnection Standards, and Net-Metering Agreement, if found necessary;
- (b) Formulate regulations to avoid and/or minimize the cross-subsidies, between non-adopters and adopters of Net-Metering and RE Projects for Own-Use; and
- (c) Establish the interconnection standards, pricing methodology, and other commercial arrangements necessary to ensure the effective



implementation of the Supply Augmentation Mechanism for RE System under Chapter II of this Circular.

#### **CHAPTER IV PROHIBITED ACTS AND SANCTIONS**

**Section 15. Prohibited Act.** Pursuant to Section 35(b) of the RE Act, willful refusal to undertake Net-Metering arrangements with qualified distribution grid users under this Circular shall be subject to the administrative penalties herein provided.

**Section 16. Penalties for Willful Refusal.** Consistent with RE Act, its IRR and this Circular, the following administrative sanctions may be imposed:

- (a) **Administrative Liability.** The DOE may impose a penalty ranging from reprimand to revocation of license with corresponding fine ranging from a minimum of One Hundred Thousand Pesos (Php100,000.00) to Five Hundred Thousand Pesos (Php500,000.00).

**Section 17. Separability Clause.** If any provision of this Circular is declared invalid or unconstitutional, the other provisions not affected thereby shall remain valid and subsisting.

**Section 18. Repealing Clause.** All previous issuances, rules and regulations inconsistent with this Circular are hereby repealed, amended or modified accordingly.

**Section 19. Effectivity.** This Circular shall take effect fifteen (15) days after its publication in at least two (2) newspapers of general circulation. Copies of this Circular shall be filed with the University of the Philippines Law Center – Office of the National Administrative Register.

**ALFONSO G. CUSI**  
Secretary

Issued on \_\_\_\_\_ at the Department of Energy,  
Fort Bonifacio, Taguig City, Metro Manila.