



DEPARTMENT CIRCULAR NO. _____

**DECLARING ALL RENEWABLE ENERGY RESOURCES AS PREFERENTIAL
DISPATCH GENERATING UNITS IN THE WHOLESALE ELECTRICITY SPOT
MARKET AMENDING FOR THIS PURPOSE DEPARTMENT CIRCULAR NO.
DC2015-03-0001**

WHEREAS, Republic Act No. 7638, otherwise known as the “*Department of Energy (DOE) Act of 1992*,” declares as a policy of the State to, among others, ensure the 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, Republic Act No. 9136 otherwise known as the “*Electric Power Industry Reform Act of 2001*,” or “*EPIRA*,” declares as a policy of the State to, among others, ensure the reliability, quality and security of supply of electric power and 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, Chapter III of EPIRA mandates the DOE to encourage private sector investments in the electricity sector and promote the development of indigenous and RE resources;

WHEREAS, Republic Act No. 9513, otherwise known as the “*Renewable Energy Act of 2008*” or the “*RE Act*,” declares as a 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, Section 20 of the RE Act declared that qualified and registered RE generating units with intermittent RE resources shall be considered “*must dispatch*” based on available energy and shall enjoy the benefit of priority dispatch. These RE generating units with intermittent RE resources include plants utilizing solar, run-of-river hydro, ocean, or wind energy wherein availability of RE energy resources are inherently uncontrollable and location-specific – naturally difficult to precisely predict the availability of RE energy resources – thereby making the energy generated variable, unpredictable and irregular;

WHEREAS, the DOE issued Department Circular (DC) No. DC2015-03-0001, entitled “*Promulgating the Framework for the Implementation of Must Dispatch and Priority Dispatch of Renewable Energy Resources in the Wholesale Electricity Spot Market*”, which established the integration of Must Dispatch generating units and Priority Dispatch generating units in the Wholesale Electricity Spot Market (WESM);

WHEREAS, the development and utilization of indigenous RE resources, and preferential dispatch in the grid and in the WESM of RE-based power plants will reduce dependence to importation of conventional energy resources, thereby making the country's supply and delivery of electric power more stable and secured from international setbacks such as the recent decision of Indonesia, the world's biggest exporter of thermal coal, to ban coal exports starting January 2022¹.

WHEREAS, the development and full utilization of RE will support the country's efforts to achieve its Nationally Determined Contribution Targets that are primarily based on RE policies and programs, among others.

WHEREAS, the market settlement prices will be reduced when all generating units utilizing RE resources are given preferential dispatch in the WESM, based on the study conducted by the DOE, in partnership with the Clean, Affordable and Secure Energy for Southeast Asia (CASE) Project², attached as Annex 1.

NOW THEREFORE, in consideration of the above premises, the DOE hereby issues and promulgates this Circular.

Section 1. Short Title. This Circular shall be known as the "*Preferential Dispatch of all RE Plants in the WESM*" and shall hereinafter be referred to as the "*Preferential Dispatch*".

Section 2. Definition of Must Dispatch and Priority Dispatch. The definitions of Must Dispatch and Priority Dispatch, collectively referred to as Preferential Dispatch Generating Units, are hereby amended as follows:

- a. "Must Dispatch" is facilitated in the WESM by qualified and registered intermittent RE-based plants, which include wind, solar, run-of-river hydro, and ocean energy power plants, according to the preference in the dispatch schedule whenever generation is available, pursuant to Section 20 of the RE Act.
- b. "Priority Dispatch" means giving the option of preference to all qualified and registered RE plants that are not Must Dispatch such as biomass, geothermal and impounding hydro plants pursuant to the RE Act.

Section 3. Schedule and Dispatch of Preferential Dispatch Generating Units. Pursuant to Section 5.2. of DC No. DC2018-01-0002, entitled "*Adopting Policies for the Effective and Efficient Transition to the Independent Market Operator for the Wholesale Electricity Market*", the Independent Market Operator (IMO) shall assume all the functions of the Market Operator, as provided for under Section 30 of the EPIRA, Section 6, Rule 9 of the EPIRA Implementing Rules and Regulations (IRR), the WESM Rules and Market Manuals, and other relevant rules, regulations, and issuances. In this regard, the responsibilities of the Philippine Electricity Market Corporation, as

¹ Sebastian Strangio, 'Indonesia Bans Coal Exports to Head Off Blackouts', The Diplomat, 4 January 2022, <https://thediplomat.com/2022/01/indonesia-bans-coal-exports-to-head-off-blackouts/>.

² A project funded by the German Federal Ministry for the Environment, Nature Conservation, Nuclear Safety and Consumer Protection (BMUV) and implemented by the Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ) and the Institute for Climate and Sustainable Cities.

enumerated in Part 3, Section 6 of DC No. DC2015-03-0001, shall be transferred to the IMO.

To ensure efficient and effective scheduling and dispatching of generating units designated as Must Dispatch and Priority Dispatch, the IMO, National Grid Corporation of the Philippines, Distribution Utilities, and all Preferential Dispatch Generating Units shall perform their respective responsibilities under Part 3, Sections 6-10 of DC No. DC2015-03-0001.

Section 4. Prohibited Act. Pursuant to Section 35(e) of the RE Act, non-compliance or violation of this Circular shall be subject to applicable penalties provided under the RE Act and its IRR.

Section 5. Information, Education and Communication. Pursuant to Section 31(i) of the IRR of the RE Act, the DOE, through the Renewable Energy Management Bureau, shall develop and implement information, education, and communication programs to increase awareness and appreciation of all RE stakeholders of this Circular.

Section 6. Repealing Clause. Any prior issuances, orders, or Circulars inconsistent with this DC are hereby repealed, amended, or modified accordingly. Other provisions of DC No. DC2015-03-0001 not affected by this Circular shall remain in effect.

Section 7. Separability Clause. If any provision of this Circular is declared invalid or unconstitutional, the other provisions that are not affected shall remain valid and subsisting.

Section 8. Effectivity. This Circular shall take effect fifteen (15) days after its publication in two (2) newspapers of general circulation. Copies of this DC shall be filed with the University of the Philippines Law Center – Office of the National Administrative Register.

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

ALFONSO G. CUSI
Secretary