



Republic of the Philippines
Department of Energy
(Kagawaran ng Enerhiya)



DEPARTMENT CIRCULAR NO. _____

**PROMULGATING THE REVISED RULES GOVERNING THE PROCESSING OF
DIRECT CONNECTION APPLICATIONS OF INDUSTRIAL, COMMERCIAL AND
OTHER ELECTRICITY END-USERS**

WHEREAS, Republic Act No. 7638, otherwise known as the “Department of Energy Act of 1992”, mandates the Department of Energy (DOE) to prepare, integrate, coordinate, supervise and control all plans, programs, projects and activities of the Government relative to energy exploration, development, utilization, distribution and conservation, among others;

WHEREAS, Republic Act No. 9136, otherwise known as the “Electric Power Industry Reform Act of 2001 or EPIRA”, states that it is the policy of the State to: (i) ensure the quality, reliability, security, and affordability of the supply of electric power; (ii) ensure transparent and reasonable prices of electricity in a regime of free and fair competition and full public accountability to achieve greater operational and economic efficiency and enhance the competitiveness of Philippine products in the global market; (iii) protect the public interest as it is affected by the rates and services of electric utilities and other providers of electric power; and, (iv) encourage the efficient use of energy and other modalities of demand side management;

WHEREAS, Section 37 of the EPIRA mandates the DOE, among others, to: (i) supervise the restructuring of the electric power industry; (ii) formulate rules and regulations as may be necessary to implement the objectives of the EPIRA; and, (iii) exercise such other powers as may be necessary or incidental to attain the objectives of the EPIRA;

WHEREAS, Section 9 of the EPIRA states that the National Transmission Corporation (TransCo) or its Buyer/Concessionaire shall provide open and non-discriminatory access to its transmission system to all electricity users;

WHEREAS, Section 23 of the EPIRA states that Distribution Utilities (DU) shall provide universal service within their franchise, over a reasonable time from the requirement thereof, in a manner that shall sustain the economic viability of the utility, subject to the approval by the Energy Regulatory Commission (ERC) in the case of private or government-owned utilities;

WHEREAS, on 08 May 2014, the ERC endorsed to the DOE all direct connection applications in compliance with the Supreme Court (SC) ruling in the Mactan Electric Company, Inc. (MECO) vs. NPC, et al. (G.R. No. 172960), citing that the DOE has jurisdiction over the dispute relative to the distribution of energy resource, specifically direct supply of electricity, and was not within the authority of ERC to resolve nor the Regional Trial Court;

WHEREAS, on 29 November 2017, the DOE promulgated the Department Circular DC2017-12-0013 entitled “Providing Policies on the Implementation of Retail

Competition and Open Access (RCOA) for Contestable Customers in the Philippine Electric Power Industry”;

WHEREAS, the Republic Act No. 11032 otherwise known as the “Ease of Doing Business and Efficient Government Service Delivery Act of 2018”, states that, all offices and agencies which provide government services are mandated to regularly undertake cost compliance analysis, time and motion studies, undergo evaluation and improvement of their transaction systems and procedures and reengineer the same if deemed necessary to reduce bureaucratic red tape and processing time;

WHEREAS, the Republic Act No. 11234 otherwise known as the “Energy Virtual One-Stop Shop Act”, states that, an Energy Virtual One-Stop Shop (EVOSS) shall be established under the supervision of the DOE and shall operate and maintain an effective information technology infrastructure system, which shall be updated regularly;

WHEREAS, on 09 January 2020, the DOE promulgated the Department Circular DC2020-01-0001 entitled “Prescribing the Rules Governing the Review and Evaluation of Direct Connection Applications of Industrial, Commercial and Other Electricity End-users”;

WHEREAS, on 10 May 2022, the DOE also promulgated the Department Circular DC2022-05-0014 entitled “Amending Department Circular No. DC2022-01-0001 on Rules Governing the Review and Evaluation of Direct Connection Applications of Industrial, Commercial and Other Electricity End-users”;

WHEREAS, the DOE deemed it necessary to provide supplementary guidelines to address the issues and concerns on the process and requirements of the Application for Direct Connection and to facilitate the compliance and participation of Directly Connected Customers (DCC) to the existing laws and regulations.

NOW THEREFORE, in consideration of the foregoing, the DOE hereby issues, and adopts existing provisions and applicable amendments to the DOE Department Circulars No. DC2020-01-0001, and promulgates the following rules and regulations:

RULE 1 GENERAL PROVISIONS

Section 1. Title and Scope. This Circular shall be known as the “Revised Rules Governing the Review and Evaluation of Direct Connection Applications of Industrial, Commercial and Other Electricity End-users” and shall hereinafter be referred to as the “*DCC Rules*”.

Section 2. Purpose. The *DCC Rules* sets the general rules and procedures to properly guide the *End-users* in facilitating their application for renewal or approval of new *Direct Connection* arrangement.

Section 3. General Principles. The following principles shall be adopted in the review and evaluation of applications for *Direct Connection*:

3.1. The privilege of direct connection may be afforded to the following:

- 3.1.1 Existing DCC as follows:
 - 3.1.1.1 Previously waived by the DU unless such waiver has been revoked;
 - 3.1.1.2 Previously approved by the ERC or confirmed by an order by the court as duly qualified End-user; and
 - 3.1.1.3 DCC by virtue of an initial agreement with the National Power Corporation (NPC)
- 3.1.2 High demand and energy-intensive New End-users with at least 5 MW monthly projected demand requiring reliable electricity services which technical facilities cannot be provided by the DU;
- 3.1.3 Manufacturing End-users whose production are sensitive to sudden power fluctuations regardless of the demand;
- 3.1.4 Government Entities and Qualified Private Sector operating public utility services such as irrigation, telecommunications, hospitals, water treatment facilities; and
- 3.1.5 Any other entities applying for direct connection and has been waived by the franchised DU.
- 3.2. The approval of the Direct Connection shall not compromise the stability and reliability of the Grid;
- 3.3. The approval of the Direct Connection shall be on the basis of DU's issuance of a waiver or DU's failure to provide the required services of an End-user subject to sufficient documentation by the latter;
- 3.4. The Applicant's connection facility requirements shall not form part of the regulatory asset base of the Transmission Network Provider (TNP);
- 3.5. All DCC that has successfully acquired approval from the DOE shall continue to enjoy its DCC status until such time that the DU revokes the issued waiver;
- 3.6. All DCC shall comply with the applicable provisions of the Philippine Grid Code and other requirements of the TNP;
- 3.7. Any dispute arising from seeking Direct Connection status shall not result in disconnection of any End-user. A dispute concerning the reliability of services of a DU shall be referred to the ERC. Notwithstanding the application shall be evaluated by the DOE in accordance with these guidelines; and
- 3.8. The *DCC Rules* shall not apply to Ecozone Developer and/ or Operator as defined in Section 2 (o) of Implementing Rules and Regulations of Republic Act No. 7916 or "The Special Economic Zone Act of 1995" (as amended). This shall not however prevent any electricity End-user within an Economic Zone to seek Direct Connection.

Section 4. Coverage. The evaluation of applications for *Direct Connection* of an End-user which has secured a waiver from its franchised DU or whose application has been deemed waived as indicated in these Rules:

- 4.1. Any existing *DCC* which has not secured prior approval from the DOE but has an authorization from the ERC or previous customer of NPC, intending to renew its Transmission Service Agreement (TSA) with the TNP;
- 4.2. Any End-user already connected to the transmission facility of the TNP but has not secured prior approval from the DOE, ERC, or was not a customer of NPC; and
- 4.3. A New *End-user* requiring delivery voltage of 69 kV and above and is willing to shoulder the cost of associated infrastructure as determined by the TNP, if not yet available;

Section 5. Definition of Terms. For the purpose of this Circular, the following terms are defined, as follows:

- 5.1. **Action** refers to a final decision (approval or disapproval) on an application by a DU-authorized personnel involved in the application process;
- 5.2. **Applicant** refers to an End-user or its duly authorized representative who submitted application for renewal or approval of new direct connection;
- 5.3. **Deemed Waive** refers to a provision wherein the DU lost its right to serve the End-user;
- 5.4. **Directly Connected Customer (DCC)** refers to a high demand End-user, who is supplied electricity through the Grid or sub-transmission assets operated by the TNP;
- 5.5. **Direct Connection** refers to an arrangement for the supply of energy to an End-user directly connecting to the Grid or sub-transmission assets that are operated by the TNP;
- 5.6. **Distribution Utility (DU)** refers to an Electric Cooperative, private corporation, government-owned utility, or existing local government unit that has an exclusive franchise to operate a Distribution System. This includes Ecozone Utilities under Philippine Economic Zone Authority (PEZA) as defined under Section 2 of the Implementing Rules and Regulations of the Republic Act No. 7916;
- 5.7. **End-user** refers to any person or entity requiring the supply and delivery of electricity for its own use;
- 5.8. **Grid** refers to the high voltage backbone system of interconnected transmission lines, substations and related facilities, located in each of Luzon, Visayas and Mindanao, or as may otherwise be determined by the ERC in accordance with Section 45 of the EPIRA;

- 5.9. **Subtransmission Asset** refers to the facility related to the power delivery service below the transmission voltages and based on the functional assignment of assets, including but not limited to the step-down transformers, used solely by load customers, associated switchyard/substation, control and protective equipment, reactive compensation equipment to improve customer power factor, overhead lines and the land such facilities/equipment are located. For this purpose, this includes the TransCo or its Buyer/Concessionaire assets linking the transmission system and the distribution system which are neither classified as a generation nor transmission asset;
- 5.10. **Transmission Network Provider (TNP)** refers to the party that is responsible for maintaining adequate Grid Capacity, in accordance with the provisions of the Philippine Grid Code; and
- 5.11. **Waiver** refers to a duly notarized document stating that the franchised DU waives its right to render distribution services or that the DU does not pose any objection to the application for Direct Connection of the End-user, executed by any duly authorized representative of the DU board, supported by a notarized Secretary's Certificate.

Rule 2 Evaluation of Application

Section 6. Requirements for Application. An *Applicant* intending to avail of or to renew a *Direct Connection* arrangement shall submit an application through DOE's EVOSS System with complete documentary requirements indicated under Annex A for each applicable case of application.

- 6.1. An application is considered as new if the applicant has:
- a. Not secured prior approval from the DOE, ERC, or was not a customer of NPC but is currently served by the TNP as directly connected;
 - b. The applicant is a new End-user seeking electricity connection; or
 - c. The applicant is an existing electricity End-user currently being served by its franchised DU.
- 6.2. All applications are treated as renewal if the DCC has prior approval from DOE, ERC, or was a previous customer by NPC. As such, all concerned End-users shall apply with the DOE the renewal of their DCC status not later than six (6) months from the expiration of the TSA with TNP.

Section 7. Submission of Application.

- 7.1. The DOE shall only accept applications with complete documentary requirements as provided in Annex A of these Rules;
- 7.2. The *Applicant* shall submit to the EPIMB the proof of payment of the processing fee in accordance with the Schedule of Fees and Charges in compliance with Administrative Order No. 31 dated 01 October 2012 and its Implementing Rules and Regulations;

- 7.3. The EPIMB may conduct a site inspection on the facilities intended for *Direct Connection* to verify the assertions of the *Applicant* and to gather any other relevant information necessary for the review and evaluation;
- 7.4. After the conduct of site inspection, the evaluation period of the EPIMB shall commence and shall be completed no later than fifty (50) calendar days culminating to the issuance of decision letter signed by the Secretary or his/her designated representative;
- 7.5. The DOE may render disapproval and/or termination of evaluation of the application on the basis of the following:
 - 7.4.1 Submission of tampered or falsified data/documents;
 - 7.4.2 Non-existing location; and
 - 7.4.3 Failure of the *Applicant* to provide a notarized attestation that it will comply with the technical specifications required by the TNP based on the results of the Technical Assessment within five (5) calendar days from the DOE's notification.
- 7.6. In all instances, the DOE shall approve or deny any application for *Direct Connection* based on the completeness of documents submitted by the *Applicant* and other information gathered thru site inspection, including the issuance of the Decision Letter, within fifty (50) calendar days from the day of site inspection in accordance with the procedure enrolled under EVOSS.

In case that there are additional requirements to be completed by the *Applicant* as advised by the DOE, such as the attestation under Section 7.4.3, the same shall have the effect of stalling the running of the 50 calendar day period for the DOE to complete the evaluation and issue a decision letter. The remainder of the time frame shall commence to run as soon as the additional requirement is completed by the *Applicant*.

Section. 8. Evaluation of Application.

- 8.1. Applications with complete documentary requirements shall be evaluated in respect of the veracity of the submitted documents particularly the waiver by the DU and the commitment of the End-user to comply with the requirements of the TNP;
- 8.2. Applications without DU waiver or falling under the deemed waive provision, shall be evaluated in respect of the veracity of the documents proving that the DU has either failed to take action on the End-user's application or has not completed the committed connection. The End-user shall provide the complete documentation to support its claim that the DU was unable to comply with Section 10 of these Rules;
- 8.3. An application for Direct Connection of a DU-existing End-user shall be evaluated in respect of the DU's capability to provide the required services and in accordance with its compliance to the minimum key performance standards

as determined by the ERC for private DUs and by the National Electrification Administration (NEA) for Electric Cooperatives. The DOE shall consider the following factors:

8.3.1. Financial and Technical Capability for ECs

- 8.3.1.1. The DU should have a higher monthly working capital fund against the one (1) month working capital requirement;
- 8.3.1.2. The DU has no arrears and is current with its obligations with its suppliers and other service providers; and
- 8.3.1.3. The DU have passed the SAIFI and SAIDI set by the ERC.

Additionally, the applicant may submit proof of unreliable service affecting its operation which may include but not limited to the Power Quality Report, Report on the impact to End-user operations, Production Report, or any other report relevant to the claim.

The applicant, in submitting proof of unreliable service, shall provide a written attestation on the veracity of its claim, copy furnished the DU. The DU may submit to the DOE any objection to such claim within fifteen (15) working days from receipt of the written attestation. Should there be no objection received by the DOE, it shall commence evaluation of the application. In case of an objection, the DOE may revert the application of the End-user to file the same as consumer complaint with the ERC in case the DU passed the financial and technical capability stated in this circular. Upon the ERC's confirmation that there is an unreliable service and that the End-user has been adversely affected, the End-user may resubmit its application including the ERC's decision on its case for the DOE's evaluation.

An existing End-user already connected to the transmission system of the TNP which has not secured prior approval from the DOE, ERC, or was not previously served by NPC, shall continue to be served by the TNP pending the DOE's decision on the application.

8.4. Applications for renewal;

All existing DCC that has secured an earlier approval from the DOE, ERC, or was a previous customer of NPC, may apply for renewal of its Direct Connection Status within six (6) months but not later than three (3) months before the expiration of its Transmission Supply Agreement with the TNP.

The End-user, in the filing of the application for renewal of their Direct Connection status shall submit a notarized attestation, copy furnished and duly received by the DU, that the DU has not revoked nor modified the previous waiver.

In case the DU submitted a written claim to the DOE that it is revoking or modifying the previous waiver agreement, the DOE shall provide fifteen (15) calendar days for the DU to submit its final decision thru a notarized attestation on its action on the waiver which shall include among others, work plan to provide the required service of the End-user which shall be no later than six

(6) months from the issuance of the said attestation. During this period, the TNP shall continue to serve the existing DCCs.

Upon receipt of the notarized attestation from the DU including the work plan, the DOE shall evaluate the capability of the DU to serve the End-user on the basis of the technical and financial capability as indicated in Section 8.3.1.;

- 8.5. The End-user, in the filing of the application for Direct Connection shall submit a notarized attestation that any of the applicable instances above may already invoke the deemed waive provision for failure of the DU to provide the necessary action. The End-user shall provide complete documentation which shall serve as proof of their claim for DOE's determination of the applicability of deemed waive; and
- 8.6. For the purpose of evaluation of the DUs, the ERC and the NEA shall annually submit to the DOE the performance evaluation of the DU or EC.

The DOE shall evaluate the application for Direct Connection within fifty (50) calendar days from the date of site inspection, provided, complete documentary requirements including additional requirements, if any, are submitted by the applicant within the time frame specified under this circular unless an extension is allowed by the DOE.

Rule 3 Other Provisions

Section 9. Regulatory Support. For the proper implementation of the policies set herein, the Energy Regulatory Commission is hereby enjoined to render the necessary regulatory support to ensure the impartial resolution of the disputes arising from the application of direct connection.

In the event that a dispute on the reliability of services of the DU, the concerned parties may file a petition to the Commission pursuant to Rule VIII of the ERC Resolution No. 08, Series of 2020. The result of the dispute resolution shall be used by the parties as a supporting document on their application for Direct Connection with the DOE.

Section 10. Non-Waiver of Obligations by Distribution Utilities. An End-user seeking Direct Connection but has been refused a waiver by the franchised DU, shall seek the services of the DU in accordance with its required specifications/connections and reliability requirements.

Accordingly, pursuant to the DUs mandate under Section 23 of Republic Act 9136, shall act on the application for connection of the End-user and shall ensure the following:

- 10.1. Release of its *Action* on the application for DU service of the *End-user* as duly submitted with complete supporting documents, as required by the DU, within thirty (30) working days from the franchised DU's receipt of the complete application;
- 10.2. A submission is considered complete when the franchised DU accepts the *End-user's* submission as complete in form and in substance and notifies the *End-user* of such acceptance. The notification of such acceptance or non-

acceptance shall be made not later than 30 working days from the franchised DU's receipt of the application; provided, that, non-acceptance shall be fully explained in writing and the grounds upon which such non-acceptance is based; provided, further, that failure of the franchised DU to determine the completeness, to accept the *End-user's* submission, and to notify the *End-user* of such acceptance within the 30 working day period shall be considered as having waived the DU's right to connect such *End-user*. The franchised DU expressed in writing that the application for connection of the End-user cannot be met as the required connection by the latter is not immediately available;

- 10.3. In case of accepted application, the right to serve the End-user shall be deemed waived when the franchised DU failed to complete the connection of an approved application within 90 working days or on a later date in a form of a written agreement by the DU and the *End-user*.

Within 90 working days or on a later date as agreed by the parties, from the franchised DU's acceptance of the application, the DU shall process the electrical connection requirement of the *Applicant*. In case that there are additional processes required to be completed by the *Applicant*, such as obtaining clearance or certificates from other agencies or entities or fulfill other separate processes not within their authority, which include installations of facilities needed by the *Applicant* which are not within the standard connection pursuant to applicable ERC regulations, the same shall have the effect of stalling the running of the 90-day period or the date agreed by the parties to complete the connection. The remainder of the time frame shall commence to run as soon as the separate process is completed by the *Applicant*. For the purpose of these guidelines, the End-user shall ensure proper documentation of all matters concerning its application for connection with the DU as may be relevant to its intent for Direct Connection;

In such cases, the *Applicant* hereof may already submit its application for *Direct Connection*, together with the proof of franchised DUs disapproval on the *End-user's* application for connection or proof of DU's failure to provide or acquire the services and facilities within the 90-working days or within the reasonable period as agreed upon by the *End-user*; provided, that the *Applicant* shall also submit a notarized attestation that all the information and documents provided are factual and truthful. Further, the DOE may conduct a dialogue between the *Applicant* and the franchised DU to ascertain the claims of both parties.

Section 11. Exemption. The DOE may consider an exemption to the requirements of an application for Direct Connection for End-users such as Government Entities and Qualified Private Sector operating public utility services such as irrigation, telecommunications, hospitals, water treatment facilities, situated within DUs under any of the following circumstances:

- 11.1. The DU is categorized as ailing EC pursuant to NEA's latest Key Performance Standard;
- 11.2. The DU has existing obligations with its power suppliers, and is not current with its payables; and

11.3. The DU's SAIFI and SAIDI is above 150% of the standard set by the ERC.

Section 12. Term of the DCC. The DCC status shall remain in force until such time that:

12.1. The DU revokes the waiver in a form of a duly notarized board resolution; and

12.2. The DU acquired the sub-transmission assets to which the DCC is connected.

Upon the franchised DU's acquisition from the TransCo of the concerned sub-transmission facilities to which the DCC is connected, the franchised DU shall assume the responsibility to continuously serve the DCC and shall impose and collect the corresponding wheeling rates as duly approved by the ERC. Provided, however, that the supply arrangement of DCCs should be respected until its expiration.

The DCC, however, may opt to reapply for Direct Connection status subject to the requirements provided in these Rules.

Section 13. Request for Reconsideration. A party adversely affected by the decision or Resolution of the DOE may, within five (5) working days from receipt of the copy thereof, file a request for reconsideration. Otherwise, the decision shall become final and executory. The DOE shall resolve the request within twenty (20) working days from receipt thereof.

Section 14. Final Provision. All existing DCC which has not secured prior approval from the DOE, ERC, or was previously a customer of NPC, are hereby directed to seek approval/DOE confirmation of their Direct Connection status by filing an application in accordance with these Rules.

Section 15. Separability. If for any reason, any section or provision of this Circular is declared invalid or unconstitutional, the other provisions not affected thereby shall remain valid and subsisting.

Section 16. Repealing. All previous issuances, rules and regulations inconsistent with the provisions of this Circular are hereby repealed or amended accordingly.

Section 17. Effectivity. This Circular shall take effect after fifteen (15) days upon its publication in two (2) newspapers of general circulation.

Let copy of this Circular be furnished the University of the Philippines Law Center-Office of National Administrative Register (UPLC-ONAR).

Issued at Energy Center, Rizal Drive, Bonifacio Global City, Taguig City on _____2024.

RAPHAEL P.M. LOTILLA
Secretary

**ANNEX A
CHECKLIST OF REQUIREMENTS**

Documents	New Application	New Application without waiver	Renewal
Duly Notarized waiver from the franchised DU stating that the franchised DU waives the right to provide electricity services to the End-user	✓		
Notarized Attestation from the End-user copy furnished and duly received by the DU <i>Please refer to the sample format of the attestation as attached in this Circular</i>		✓*	✓**
Corporate or business profile	✓	✓	✓
Legal documents: a. SEC Registration b. Proof of Ownership/Lease/any other relevant document proving the existence of the site/location of the DCC facility c. BIR Registration with Latest ITR d. Business Permits e. DTI Registration	✓	✓	✓
Secretary's Certificate designating the authorized representative to transact with the DOE	✓	✓	✓
Brief description of the proposal	✓	✓	✓
Location map of the facility for which direct supply is sought, including the nearest TNP or DU substation	✓	✓	✓
Power demand, delivery voltage, timeline for connection requirement, load forecast, and other relevant technical information	✓	✓	✓
Certification from the TNP that the current demand including the five (5) years projected demand can be accommodated by existing transmission facilities and the same shall not adversely compromise the operation of	✓	✓	✓

the Grid based on the grid impact study. This shall include the Technical Assessment as provided by the TNP			
Application Letter addressed to the DOE Secretary Attention: Electric Power Industry Management Bureau Department of Energy Energy Center, Rizal Drive Bonifacio Global City, Taguig City, Metro Manila	✓	✓	✓
Other Supporting Documents	As Needed	✓ ^{***}	As Needed

Note:

* Attestation that the DU did not respond to the waiver request after thirty (30) calendar days upon receipt of such request, or the DU wasn't able to provide the required services of the End-user within ninety (90) calendar days from the DU's certification of complete application for connection of the End-user or on a later date as agreed by both parties.

** Attestation that the DU has not revoked nor modified the previously issued waiver

*** Documents such as but not limited to letters of communication, agreements, chronology of events, and any other relevant documents supporting its claim

SAMPLE ATTESTATION

I, (NAME OF AFFIANT DULY APPROVED BY THE COMPANY), of legal age, Filipino, **single/married**, with office address located at (OFFICE ADDRESS OF AFFIANT) with position as (AFFIANT'S COMPANY POSITION) of (COMPANY NAME), a duly organized and existing under Philippine laws, hereby, depose and say that:

(Refer to Annex A when listing issues encountered and action taken during the application of Waiver)

1. **COMPANY NAME APPLIED FOR A WAIVER AT DU ON XX JAN 2024 DULY RECEIVED BY DU;**
- 2.
- 3.
- 4.
- 5.
- 6.
- 7.
- 8.

A copy of this attestation will be given to (DISTRIBUTION UTILITY), with offices at (DU MAIN OFFICE).

IN WITNESS WHEREOF, I have hereunto affixed my signature this (XXth) day of (MONTH YEAR) at (ADDRESS).

**JUAN A. DELA CRUZ
POSITION**

SUBSCRIBED AND SWORN, to before me this (XXth) day of (MONTH YEAR) at (ADDRESS). Affiant exhibited to me **his/her** (AFFIANT'S VALID ID) issued at (VALID ID ISSUANCE LOCATION) and valid until (VALID ID EXPIRY DATE)

Doc. No. _____;
Page No. _____;
Book No. _____;
Series of _____.