

DEPARTMENT CIRCULAR NO. DC2023-\_\_ - \_\_\_\_\_

**PRESCRIBING THE SUPPLEMENTARY POLICY AND ADMINISTRATIVE FRAMEWORK FOR THE DEVELOPMENT OF PUMP-STORAGE HYDROPOWER PLANTS AND OTHER SIMILAR ENERGY STORAGE SYSTEMS**

**WHEREAS**, Section 2, Article XII of the 1987 Constitution states that all forces of potential energy, and other natural resources are owned by the State. The exploration, development, and utilization of natural resources shall be under the full control and supervision of the State;

**WHEREAS**, Section 2 of Republic Act No. 7638 or the "Department of Energy Act of 1992" declares it as a policy of the State to ensure a continuous, adequate, and economic supply of energy with the end in view of ultimately achieving self-reliance in the country's energy requirements through the integrated and intensive exploration, production, management, and development of the country's indigenous energy resources, and through the judicious conservation, renewal and efficient utilization of energy to keep pace with the country's growth and economic development and taking into consideration the active participation of the private sector in the various areas of energy resource development;

**WHEREAS**, Section 2 of Republic Act No. 9136 or the "Electric Power Industry Reform Act of 2001", which provides the framework for the restructuring of the electric power industry, declares it a policy of the State to ensure the quality, reliability, security, and affordability of the supply of electric power, and the 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, and to assure socially and environmentally compatible energy sources and infrastructure, promote the utilization of indigenous and new and renewable energy resources in power generation in order to reduce dependence on imported energy;

**WHEREAS**, Section 2 of Republic Act No. 9513 or the "Renewable Energy Act of 2008" (RE Act) declares it a policy of the State to accelerate the exploration and development of renewable energy resources, to achieve energy self-reliance, through the adoption of sustainable energy development strategies to reduce the country's dependence on fossil fuels and thereby minimize the country's exposure to price fluctuations in the international markets, and to establish the necessary infrastructure and mechanism to carry out the mandates specified in the RE Act and other existing laws;

**WHEREAS**, the 2020-2040 Philippine Energy Plan (PEP) and National Renewable Energy Program (NREP) set an aspirational target of at least 35% Renewable Energy (RE) share in the total generation mix by 2030 and at least 50% by 2040, which is expected to consequently further hasten the already increased penetration of variable RE;

**WHEREAS**, on 3 November 2021, the DOE promulgated Department Circular (DC) No. DC2021-11-0036, entitled "Providing the Revised Guidelines for the Green

Energy Auction Program in the Philippines“, which provided for the revised guidelines on the implementation of Green Energy Auction (GEA) Program;

**WHEREAS**, on 5 October 2022, the DOE issued Department Circular (DC) No. DC2022-10-0031, entitled “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“, which grants all generating units utilizing RE resources either Must Dispatch or Priority Dispatch status (collectively referred to as “Preferential Dispatch” status) to aid in the acceleration of the development and utilization of indigenous RE resources;

**WHEREAS**, on 20 April 2023, the DOE issued Department Circular (DC) No. DC2023-04-0008, entitled “Prescribing the Policy for Energy Storage System in the Electric Power Industry“, which provided for the recognition of the role of Energy Storage Systems (ESS) in ensuring the quality, reliability, security, sustainability, and affordability of electric power. It likewise laid down the general policies and the responsibilities of all DOE-attached agencies, industry participants and all other stakeholders relative to the development, operation and integration of ESS in the Philippine grid;

**WHEREAS**, there is still a significant need for Ancillary Services (AS) in the grid, to support the increasing supply and demand for electric power in the country. Based on the approved 2023-2032 Ancillary Services Agreement Procurement Plan, the required Regulating Reserve (RR), Contingency Reserve (CR), and Dispatchable Reserve (DR) for 2023 are 729 MW, 959 MW, and 959 MW, respectively. On the other hand, the awarded AS per the recently concluded Competitive Selection Process (CSP) for the said AS requirements are 396 MW for RR, 985 MW for CR, and 866 MW for DR, respectively;

**WHEREAS**, to increase the portfolio of existing ESS units and facilities and thereby help achieve a desirable, sustainable, reliable and efficient level of generation capacities and AS in the Philippine Grid, there is a need to issue additional policies and mobilize key government agencies and entities;

**WHEREAS**, Pump-Storage Hydropower Plants (PSH) will serve as both Energy and AS and will complement the Energy Transition Program of the DOE.

**NOW, THEREFORE**, for and in consideration of the foregoing premises, the DOE hereby issues the supplementary policy and administrative framework for PSH and other similar ESS for the power system:

**Section 1. Review and Assessment.** – The Department of Energy (DOE) shall conduct an operational review of the Philippine electric power system every 15<sup>th</sup> of March annually, vis-à-vis the PEP, Power Development Plan (PDP), Transmission Development Plan (TDP), NREP, and other related plans and roadmaps. The Review and Assessment shall be conducted in 2 phases:

- a. First, the DOE shall conduct diagnostics and simulations of the Philippine Grid intended to address the inclusion of RE Projects targeted to come online before 2030 as determined through the GEA 1, 2, and 3 and other modes; and

- b. Second, the DOE shall conduct another diagnostics and simulations of the Philippine Grid to include and assess the PSH/ESS capacities and capabilities needed to achieve the RE targets for 2030-2040, integrate a larger percent of VRE, and transition the grid from a thermal fuel-based energy mix to a flexible higher RE energy mix design.

The DOE shall coordinate with its attached agencies and electric power industry participants and stakeholders in the conduct of this review and assessment.

**Section 2. PSH/ESS Roadmap.** – After each of the assessments conducted under Section 1 of this Circular, the DOE shall determine the optimal level, timing, locations and specifications of PSH/ESS to attain and complement the RE targets pursuant to the PEP, specifically:

- a. The sites and commercial operation schedules for PSH/ESS, including the necessary transmission and distribution lines and connections and other related infrastructure;
- b. The appropriate technologies and the corresponding level of capacity and capability;
- c. The areas, platforms, mechanisms, bidding/auction procedures and markets where an ESS can develop, operate and offer the needed level of AS or power generation; and
- d. Other technical details to achieve the objectives of this Circular.

For this purpose, the DOE shall consolidate and consider the ESS needs of Distribution Utilities, as indicated in their respective Distribution Development Plans (DDPs).

The DOE shall integrate the ESS Roadmap in the PEP, PDP and NREP and other related plans and programs of the DOE.

**Section 3. PSH/ESS Transmission.** – The DOE shall coordinate with the Transmission Network Provider (TNP) and System Operator (SO) and the National Transmission Corporation (TransCo) for the timely development of the necessary grid connection facilities for ESS projects and streamlined process for testing and commissioning of said projects prior to the dispatch of ESS capacities to the Grid.

Pursuant to its responsibility, the TNP and SO shall include available capacities from ESS/PSH in the procurement of AS.

The TNP and SO shall incorporate the ESS Roadmap in the planning and preparation of the TDP.

**Section 4. PSH/ESS Dispatch.** – After the issuance and integration of the ESS Roadmap, capacities from PSH facilities and RE+ESS integrated system shall be auctioned in accordance therewith. The DOE shall include PSH facilities and other

RE+ESS integrated system in the GEA, subject to further guidelines for each GEA round.

Towards this end, the DOE hereby extends to all PSH and RE+ESS integrated system the Preferential Dispatch status in the Wholesale Electricity Spot Market, pursuant to DC2022-10-0031.

Accordingly, the WESM Governance Arm and the MO shall propose to the DOE the amendments to the WESM Rules and Market Manuals that will cover, among others, appropriate settlement of capacities or generation from PSH and RE+ESS integrated system in the WESM, and the corresponding application for market fees, as a consequence of their participation in the GEA Program, either for FIT or non-FIT eligible plants.

Other than the GEA, PSH and other RE+ESS integrated system may choose to participate in the CSP of DUs and of the SO, respectively, in the Green Energy Auction Program, and other markets and platforms existing and to be established by the DOE.

**Section 5. *Permitting Agencies and Energy Virtual One-Stop Shop (EVOSS) Integration.*** – The DOE shall closely coordinate with all Permitting Agencies to ensure the efficient and timely processing of permits or other related applications, and for the integration of their respective processes under the EVOSS system pursuant to RA No. 11234 and its Implementing Rules and Regulations.

For purposes of this Circular, Permitting Agencies refer to agencies of the Government or relevant entities that are concessionaires or franchisees of the Government whose permitting process or authority is relevant to or required for the development of PSH/ESS projects.

**Section 6. *Non-compliance.*** – Any non-compliance or violation by any entity of this Order shall be referred to the Energy Regulatory Commission for the imposition of appropriate penalized accordingly pursuant to applicable laws, rules and regulations.

**Section 7. *Information, Education and Communication (IEC) Campaign.*** – In addition to the publication and posting of the PSH/ESS Roadmap, the DOE shall conduct the necessary IEC campaigns to further inform the electric power industry participants and the public about PSH/ESS.

**Section 8. *Regulatory Support.*** – The Energy Regulatory Commission shall issue the necessary rules and regulations for the effective implementation of this Circular within sixty (60) days upon effectivity of this circular.

**Section 9. *Separability Clause.*** – If any part or provision of this Order is declared invalid or unconstitutional, other parts not affected thereby shall continue to be in full force and effect.

**Section 10. *Repealing Clause.*** – Department Circular Nos. DC2021-11-0036, DC2022-10-0031, DC2023-04-0008 and DC2023-06-0021 are hereby revised accordingly.

All other circulars, rules and regulations, and other issuances, or parts thereof, which are inconsistent with this Circular are hereby revoked, amended, or modified accordingly.

**Section 11. *Effectivity.*** – This Order shall take effect immediately upon its publication in the Official Gazette or in a newspaper of general circulation. A copy of this Circular shall be filed with the University of the Philippines Law Center-Office of the National Administrative Register.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2023 at DOE, Energy Center, Rizal Drive cor. 34<sup>th</sup> Street, Bonifacio Global City, Taguig City, Metro Manila.

**RAPHAEL P.M. LOTILLA**  
Secretary