



DEPARTMENT CIRCULAR NO. _____

PRESCRIBING THE AMENDMENTS TO DEPARTMENT CIRCULAR NO. DC2017-12-0015, OTHERWISE KNOWN AS “THE RENEWABLE PORTFOLIO STANDARDS (RPS) RULES FOR ON-GRID AREAS”

WHEREAS, Republic Act No. (RA) 7638 or the “Department of Energy (DOE) Act of 1992” declares as a policy of State, among others, to 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 or the “Electric Power Industry Reform Act of 2001” (EPIRA) declares the policy of the State to ensure the quality, reliability, security and affordability of the supply of electric power;

WHEREAS, Republic Act (RA) 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, pursuant to Section 6 of the RE Act, the DOE upon recommendation of the National Renewable Energy Board (NREB), promulgated Department Circular (DC) No. DC2017-12-0015, titled “Promulgating the Rules and Guidelines Governing the Establishment of the Renewable Portfolio Standards for On-Grid Areas,” otherwise known as the “RPS On-Grid Rules”

WHEREAS, the Philippine Energy Plan 2020-2040 and the National Renewable Energy Program (NREP) 2020-2040, have set the goal of attaining 35% RE share in power generation mix by 2030 and 50% by 2040;

WHEREAS, Section 8 and Section 9 of the RPS On-Grid Rules initially set the minimum annual RE percentage increment (K_m) at one percent (1%) to be applied to Net Electricity Sales of the Mandated Participant for the previous year, and thereafter to be adjusted by the DOE as necessary to ensure that the objectives of the RE Act are achieved;

WHEREAS, the DOE through DC No. DC2022-09-0030 issued and promulgated the Adjusted Annual Incremental RE Percentage (K_m), effectively increased the K_m from 1% to 2.52% starting 2023 to meet the aspirational targets of increasing the RE share in the power generation mix;

WHEREAS, the DOE through DC No. DC2021-11-0036 issued and promulgated the Revised Guidelines for the Green Energy Auction Program (GEAP) in the Philippines, which is intended to provide an additional market for RE through competitive electronic bidding of RE capacities, and at the same time support the compliance by Mandated Participants in meeting their RPS requirements; and

WHEREAS, in the course of implementing the RPS On-Grid Rules, the DOE saw the opportunity to enhance the RPS policies and guidelines towards greater efficiency and effectivity.

NOW, THEREFORE, pursuant to its authority under the RE Act and the RPS On-Grid Rules, the DOE hereby adopts, issues, and promulgates the following amendments to the RPS On-Grid Rules:

Section 1. Section 5(f) on the definition of “Energy Mix” is hereby amended to read as follows:

“Section 5. Definition of Terms. As used in this Circular, the following terms shall be defined as follows:

xxx xxx xxx

- (f) **“Energy Mix”** refers to the country’s total primary energy supply for a given year, expressed in million tons of oil equivalent (MTOE), from which secondary energy such as electricity is produced;

xxx xxx xxx

Section 2. A new definition is hereby added as Section 5(l), shall be read as follows:

- (l) **“Generation Mix”** refers to the country’s total gross generation of electricity for a given year, expressed in megawatt-hour (MWh);

xxx xxx xxx”

Section 3. To clarify the definition of parameters prescribed in the calculation of the minimum RPS requirement for each Mandated Participant, Section 7, on RPS Policy, Minimum Annual Requirement and Annual Increment, is hereby amended to read as follows;

“Section 7. Minimum Annual RPS Requirement. The RE share of electricity coming from RE resources shall be based on the aspirational target of 35% in the country’s Generation Mix

expressed in MWh by 2030, subject to regular review and assessment by the DOE.

The minimum annual RPS requirement per Mandated Participant shall be computed by the Composite Team in coordination with the NREB; *Provided, That* the annual RPS requirement for each Mandated Participant shall be calculated in accordance with the following formula, all expressed in MWh:

$$RPS_{(n)} = ES_{(n-1)} * \sum_{m=0}^n K_m$$

Where:

- m = Year 0 to n, excluding the Transition Period
- n = the Year of the RPS requirement starting at Compliance Year 1 (Year 2020) and excluding Transition Period (Year 2019)
- RPS_(n) = RPS for the Year n for each Mandated Participant starting at Compliance Year 1 (in MWh, rounded down to the nearest MWh)
- K₀ = the percentage of total energy sales from plants under the FIT System to the total energy sales of all Mandated Participants at Year 0 (2018)
- K_m = Minimum Annual Incremental RE percentage, as per Section 8, for all Mandated Participants at year m
 - = Incremental RPS percentage requirements for the Mandated Participants in Luzon, Visayas and Mindanao shall be at one percent (1%) for Years 2018-2022, and 2.52% starting Year 2023 onwards, until extended or modified by the DOE, based on the annual review of the Composite Team such that the Target RE Share in the power generation mix shall be achieved (K is not constant)¹
- ES_(n-1) = Net Electricity Sales in previous Year for each Mandated Participant (in MWh, rounded down to the nearest MWh). For avoidance of doubt, ES_(n-1) at Year 1 shall be the Net Electricity Sales of Year 0

¹ Promulgated on 23 September 2022, the minimum annual RE percentage increment was increased from 1% to 2.52% starting year 2023 under Department Circular No. DC2022-09-0030 otherwise known as the “Adjusted K_m”.

Year 0 shall be the year 2018, the RPS Compliance Year 1 shall be the Year 2020 and the intervening period shall be the Transition Period.

xxx xxx xxx”

Section 4. Section 12 on Mandated Participant, Last Paragraph, is hereby amended to read as follows:

“Section 12. RPS Mandated Participant. The following entities are mandated to comply with the RPS On-Grid Rules:

xxx xxx xxx

All Mandated Participants, in complying with their respective RPS requirements, shall comply with the least-cost sourcing of power supply such as the Competitive Selection Process (CSP) policy and regulations set by the DOE and the Energy Regulatory Commission (ERC). In the case of DUs, the ERC shall within 60 days from effectivity date of this Circular issue the necessary rules in complying with the least-cost mandate with respect to the procurement of RE generation supply for their Captive Market, as part of complying with their minimum RPS requirements.

xxx xxx xxx”

Section 5. To clarify determination of the RPS compliance by the DUs and RPS compliance mechanisms, Section 15, RPS Compliance Mechanisms, is hereby amended to read as follows:

“Section 15. Compliance Mechanisms. In complying with the Rules, the Mandated Participant shall use Renewable Energy Certificate (RECs) from any, a combination, or all of the following:

xxx xxx xxx

- (d) Energy exported from the Net Metering facility: *Provided, That* the corresponding electricity generated and consumed by the Net Metering Customer shall accrue to the customer; *Provided, Further, That*, in the computation of the minimum RPS requirements of the DU, the corresponding energy exported shall be added into the Net Electricity Sales of the host DU;

xxx xxx xxx

Section 6. A new provision is hereby added as the new paragraph (e) under Section 15, Compliance Mechanisms, to read as follows:

- (e) Such other mechanisms to be determined by the DOE upon recommendation of the RPSCT, and in consultation with the stakeholders, including but not limited to GEAP and Renewable Distributed Energy Resources.

xxx xxx xxx”

Section 7. The following amendments to Section 17, RE Certificate, shall be read as follows:

“Section 17. General Principles on the Establishment of the RE Market and the RE Registrar. The following principles shall be considered in the establishment of the rules and guidelines governing the RE Market and the RE Registrar:

xxx xxx xxx

- (f) REC shall be issued based on the following:
 - i. On the output of Eligible RE Facilities not under the FIT System, the RECs shall be issued to the Mandated Participant to the extent of its PSA with the Eligible RE Facility; *Provided, That* if the generation of the Eligible RE Facility is dispatched **beyond the contracted energy** under any PSA, then the RECs shall be issued to the owner of the Eligible RE Facility;

xxx xxx xxx

- iii. On the energy produced or generated by Eligible RE Facilities located at the end-users’ premises, the following shall govern:
 - (1) For Net Metering arrangements, the RECs that shall accrue to the host DU are equivalent to the exported energy of the Net Metering facility, while the Eligible End-Users shall own the RECs corresponding to its own use or consumption. For clarity, the gross energy generated by the Net Metering facility shall be the sum of the exported energy to the DU system and the own use or consumption of the Eligible End-Users; and
 - (2) For the energy produced or generated by Eligible RE Facilities installed in the end-user’s premises for own-

use but synchronized to the DU's system, the RECs shall solely belong to the Qualified End-User.

Subsequently, Section 17(f)(iv) of DC2017-12-0015 is hereby deleted.

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- (n) During the first three (3) years of the RPS program, commencing from the start of the Compliance Year, and every other year thereafter, the DOE shall review the **implementation of the RPS and the REM** for possible revisions based on the rate of compliance of the Mandated Participant, RE Market activity and general success in meeting RPS goals.

xxx xxx xxx”

Section 8. To provide clarity in the compliance timelines of the Mandated Participants with their RPS requirements, second to the last paragraph of Section 25, Suspension or Carry-Over of Compliance, is hereby amended to read as follows:

“Section 25. Suspension or Carry-Over of Compliance. The DOE shall, in any given year, suspend or carry-over compliance of the Mandated Participant with the Annual RPS Requirement, as the case may be, under any of the following conditions:

xxx xxx xxx

Upon recommendation of the Composite Team, the DOE may, in lieu of suspending compliance of the Mandated Participant, allow the Mandated Participant to carry over the compliance shortfall for a period **no longer than one year**. The request for suspension of compliance of the Mandated Participant shall be deemed approved by the DOE after the lapse of 60 days, **reckoned** from the date of submission **of complete supporting requirements**.

xxx xxx xxx”

Section 9. To provide clarification on the timelines of implementation of the RPS program, Section 26 (Transition Period) is hereby amended to read as follows:

“Section 26. Transition Period. A Transition Period of one (1) year from the effectivity of this Rules **starting Year 0 (Year 2018)**, is hereby provided to ensure an orderly, efficient and effective imposition of the RPS On-Grid Rules. The said period will allow the Mandated Participants to prepare all the information and data

required in the establishment of the baseline to be determined by the DOE, prepare their respective compliance mechanisms, as well as prepare the consumers for the impact of the RPS On-Grid Rules.

xxx xxx xxx”

Section 10. To provide significance of Regulatory Framework towards successful implementation of the RPS program, Section 30 (Regulatory Support) is hereby amended to read as follows:

“Section 30. Regulatory Support. The Energy Regulatory Commission (ERC) shall provide regulatory support for the effective implementation of this Circular. Towards this end, the ERC is hereby enjoined to establish a Regulatory Framework in consideration of the following, among others:

- (a) Determination of potential impacts of a Mandated Participant’s compliance with its minimum annual RPS requirements.:
- (b) Calculation of attendant costs arising from a Mandated Participant’s compliance with its RPS requirements; and
- (c) Rationalization of cost recovery mechanism, when applicable.

Section 11. 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 12. Repealing Clause. All previous issuances, rules and regulations inconsistent with this Circular are hereby repealed, amended or modified accordingly.

Section 13. Effectivity. This Circular shall take effect fifteen (15) days after 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.

RAPHAEL P.M. LOTILLA
Secretary

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