



Republic of the Philippines
DEPARTMENT OF ENERGY
(Kagawaran ng Enerhiya)

DEPARTMENT CIRCULAR NO. DC2022- 09 - 0030

**PRESCRIBING THE ADJUSTED ANNUAL PERCENTAGE INCREMENT
TO BE IMPOSED ON ALL MANDATED PARTICIPANTS OF THE
RENEWABLE PORTFOLIO STANDARDS FOR ON-GRID AREAS**

WHEREAS, Republic Act (RA) 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, RA 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 quality, reliability, security and affordability of the supply of electric power;

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 renewable energy (RE) resources;

WHEREAS, 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, Section 6 of the RE Act states that all stakeholders in the electric power industry shall contribute to the growth of the RE industry of the country. Towards this end, the National Renewable Energy Board (NREB) shall set the minimum percentage of generation from eligible RE resources and determine to which sector the Renewable Portfolio Standards (RPS) shall be imposed on a per grid basis;

WHEREAS, Section 4(c), Paragraph (2), of the Implementing Rules and Regulations (IRR) of the RE Act, states that the DOE shall, upon the recommendation of the NREB, formulate and promulgate the RPS Rules which shall include, among others, the annual minimum percentage increment required to be sourced from eligible RE resources and which shall, in no case, be less than one percent (1%) of its annual energy demand over the next ten (10) years;

WHEREAS, the DOE promulgated Department Circular (DC) No. DC2017-12-0015 also known as the "*RPS Rules for On-Grid Areas*" or the "*RPS On-Grid Rules*," on 22 December 2017 and became effective on 31 December 2017, which placed upon the Mandated Participants (MPs) the obligation to source or produce a minimum RE percentage of their electricity requirements from eligible RE resources;

WHEREAS, Section 7 of the RPS On-Grid Rules has set an aspirational target of attaining 35% share of the RE in the generation mix by 2030, subject to regular review and assessment by the DOE;

WHEREAS, Section 7 of the RPS On-Grid Rules also defines the Minimum Annual Incremental RE percentage (K_m) as the incremental RPS percentage initially set by the NREB at one percent (1%) at year m for MPs in Luzon, Visayas and Mindanao, subject to annual review, such that the target RE share will be achieved (K is not constant), which is expressed in the following formula:

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

Where:

- m = Year 0 to n , excluding the Transition Period
- n = the Year of the RPS requirement starting at Year 1 and excluding Transition Period
- $RPS_{(n)}$ = RPS for the Year n for each MP starting at Year 1 (in MWh, rounded down to the nearest MWh)
- K_0 = the percentage of total energy sales from plants under the Feed-in Tariff System to the total energy sales of all MPs at Year 0
- K_m = Minimum Annual Incremental RE Percentage for all MPs at year m
- $ES_{(n-1)}$ = Net Electricity Sales in previous Year for each MP (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

WHEREAS, Section 9(b) of the RPS On-Grid Rules provides that the K_m shall be adjusted by the DOE, in coordination with the NREB, when the prevailing percentage is deemed insufficient to attain the target RE share;

WHEREAS, the NREB in its proposed 2021-2040 National Renewable Energy Program (NREP), recommended the increase of K_m from the initial one percent (1%) to 2.52% starting 2023, to meet the aspirational target of at least 35% in the total power generation mix by 2030 and more than 50% by 2040;

WHEREAS, the RPS Composite Team (RPSCT), through its Resolution No. RPSCT2021-08-27-001, resolved to approve the conduct of public consultation on the proposed upward adjustment of the K_m from 1% to 2.52% to be imposed on all MPs under the RPS On-Grid Rules for planning period 2023-2040, as recommended by the NREB.