

Republic of the Philippines  
**DEPARTMENT OF ENERGY**

**DEPARTMENT CIRCULAR NO. DC 2004-02-002**

**PRESCRIBING THE GUIDELINES FOR THE FORMULATION OF A FIVE-YEAR  
DISTRIBUTION DEVELOPMENT PLAN PURSUANT TO SECTION 2 OF  
DEPARTMENT OF ENERGY CIRCULAR NO. DC 2003-12-011, ENTITLED  
“ENJOINING ALL DISTRIBUTION UTILITIES TO SUPPLY ADEQUATE,  
AFFORDABLE, QUALITY AND RELIABLE ELECTRICITY”**

**WHEREAS**, under Section 2 of Republic Act (RA) No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001" or EPIRA, it is declared, among others, the policy of the State to ensure quality, reliability, security and affordability of the supply of electric power;

**WHEREAS**, pursuant to Section 37 (c) of EPIRA, the Department of Energy (DOE) is mandated to prepare and update annually a Power Development Program (PDP) and integrate the same into the Philippine Energy Plan (PEP);

**WHEREAS**, the PDP shall consider and integrate the individual or joint development plans of the transmission, generation, and distribution sectors of the electric power industry, which are submitted to the DOE;

**WHEREAS**, Section 23 of the EPIRA, required distribution utilities (DUs), among other functions, to prepare and submit to the DOE their annual distribution development plans and in the case of electric cooperatives, to submit such plans through the National Electrification Administration (NEA);

**WHEREAS**, it is provided under Section 4 (p), Rule 7 of the Implementing Rules and Regulations of the EPIRA (EPIRA-IRR) that DUs shall prepare and submit to the DOE an annual five year-distribution development plan (DDP) not later than the fifteenth (15<sup>th</sup>) of March of every year for integration with the PDP and PEP;

**WHEREAS**, there is an imperative need to institutionalize the formulation process of the DDP consistent with the policy and structural reforms envisioned in the EPIRA;

**WHEREAS**, in compliance with DOE Circular No. DC 2003-12-011 issued on December 5, 2003, the DDP of a DU shall include, among others, an abstract of the terms and conditions of power supply contracts with National Power Corporation (NPC) existing and available supply, and, where NPC supply is not available and sufficient, the power supply contracts

with private power producers to augment the power supply in their franchise areas and to assure that power interruptions are minimized;

**NOW, THEREFORE, FOR AND IN CONSIDERATION OF THE FOREGOING PREMISES,** the DOE hereby promulgates the following Guidelines on the formulation of the five-year DDP of each DU:

### **Section 1. Guiding Principles**

In compliance with EPIRA and its IRR, these Guidelines are issued for:

- (a) the integration of the consolidated DDP to the PDP and PEP which are prepared and updated annually;
- (b) the monitoring of private sector activities relative to energy projects in order to attain goals of restructuring, privatization, and modernization of the electric power industry;
- (c) the encouragement of DUs to provide adequate and reliable electric supply;
- (d) the provision of information, for investment promotion and project prioritization; and
- (e) the determination of infrastructure requirements to ensure reliability of supply at the distribution level.

### **Section 2. Scope of Application**

These Guidelines shall apply to any "entity that owns, operates, or controls one or more distribution systems such as but not limited to":

- (a) Electric Cooperatives (ECs);
- (b) Privately-Owned Distribution Utilities;
- (c) Local Government Unit Owned-and-Operated Distribution Systems;
- (d) Entities duly authorized to operate within the economic zones (EZs); and

- (e) Other duly authorized entities engaged in the distribution of electricity.

### **Section 3. Contents of the DDP**

The DDP shall contain the following detailed information:

- (a) **Objectives.** Consistent with the Five-Year DDP of the DUs, this part shall provide a statement of the long-term and immediate objectives of the utility to meet their obligations. The long-term objective shall reflect the desired outcomes of the DUs while pursuing to improve the supply and delivery of electricity to the end-users in view of the overall electric power industry sector. The immediate objectives, on the other hand, shall indicate its targeted short-term outcomes of the utility while providing the required delivery services in their respective franchised area/s.
- (b) **Strategies and/or approaches to attain the objectives.** This component shall identify and describe the strategies and/or approaches that will guide the DUs in their operation.
- (c) **Technical and Economic Analyses.** This portion of the DDP shall present a summary of the technical and economic analyses in demand forecast, supply expansion plan, and expansion of the distribution system including the reactive power compensation plan and other distribution reinforcement plan. The analyses shall make use of the forecasts and assumptions data. It should identify operational limitations or constraints which may likely lead to problematic areas in the future. It should also include the following:
  - i. Energy and Demand forecasts;
  - ii. Sub-transmission capacity expansion;
  - iii. Distribution substation siting and sizing;
  - iv. Distribution feeder routing and sizing;
  - v. Distribution Reactive Power Compensation Plan; and
  - vi. Other Distribution reinforcement plans.
- (d) **Power Supply Contracts.** This portion shall consist of the power supply contract/s or agreement/s entered into by the DUs with NPC and other generation companies. The contract shall contain terms and conditions which shall include, but not limited to the following:
  - i. Contracted Demand/Energy;
  - ii. Contract price;
  - iii. Time/Day of Delivery;
  - iv. Load Factor; and
  - v. Price Settlement Mechanism

- (e) **Profile of Barangays to be energized.** In this section, the reporting DUs shall provide the complete list of barangays within the DUs' franchise area scheduled for energization during the five-year planning period, as well as those barangays declared by DUs as unviable and unable to provide electricity service within the next three (3) years. It shall also contain information on project cost, fund source, power source/technology, and potential household connection, among others.

#### **Section 4. Adoption and Procedures in the Preparation of DDP**

- (a) The DOE hereby adopts the following documents namely:
  - i. Forms and Instructions for the Preparation of the DDP of Philippine Distribution Utility (Appendix A);
  - ii. DOE-EPIMB Form-03-001 (Appendix B); and
  - iii. DOE-EPIMB Form-03-002 (Appendix C).

For purposes of uniformity of data, all DUs shall be guided by Appendix A in accomplishing Appendix B and Appendix C.

- (b) In addition, a separate sheet on power supply contract incorporating the terms and conditions shall also be submitted,
- (c) The crafting of the Updated DDP must take into account all the data requirements prescribed under Chapter 6.2.5 (Preparation of Distribution Development Plan) of the Philippine Distribution Code as a requisite by the Distribution Management Committee (DMC) and NEA.
- (d) It shall be required that the DDP to be submitted to DOE shall have consistency in content with other DDP to be submitted to DMC and NEA.
- (e) The DDP preparation must, likewise, ensure coherence with the data requirements of the existing and other instrumentalities as may be found valid in the future undertakings to ensure continuous supply of electric power to end consumers.

#### **Section S. Plan Formulation Process**

- (a) The formulation of the plan starts formally with the issuance of these Guidelines to all DUs and concerned government agencies. The DUs shall be responsible for distribution planning, including analyzing the impact of the connection of new facilities, expansion of the distribution system, and identifying and correcting problems on power quality, system loss and reliability.

- (b) The DDP shall be prepared by each DU with inputs from all users and other power sectors (as may be required). A working group may be created by the DUs, essentially to commence the initial drafting of the DDP. Each DU shall be responsible in the processing of the data provided by users and ensure cohesiveness in forecasts and reliability of the assumptions used.
- (c) After the completion of the first draft, a DU may need to convene its own committee that will provide guidance and oversee the preparation and subsequent endorsement of the DDP to DOE. Subsequently, for validation purposes, consultations with the concerned end-users and stakeholders shall be undertaken by the DU.
- (d) The DOE technical staff, whenever is needed, shall provide assistance to the working group in the formulation of the DDP.

### **Section 6. Repealing Clause**

Any rule or regulation inconsistent with the provisions of this Circular is hereby repealed and modified accordingly.

### **Section 7. Effectivity**

This Circular shall take effect immediately a day after its publication in a newspaper of general circulation.

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**VICENTE S. PEREZ, JR.**

Secretary