



**REVISED QUALIFIED THIRD PARTY GUIDELINES**  
*(DC2019-11-0015)*

**Frequently Asked Questions**

Table of Contents		
No.	Question	Page
1	What is a Qualified Third Party (QTP)?	1
2	What are unviable, unserved and underserved areas?	1
3	What are QTP Service Areas?	1
4	What are the legal basis for QTPs?	1
5	Who can participate as QTP?	2
6	How to qualify as QTP?	2
7	Who will conduct the Competitive Bidding for QTP?	2
8	What is Competitive Bidding for QTP and how it is done?	4
9	What is a QTP Service Contract?	4
10	What are the responsibilities of QTPs?	5
11	What will be the responsibilities of DOE, ERC, NPC, NEA and DUs in the QTP implementation and operation?	5
12	Will the QTPs receive a subsidy from the government?	7
13	Does the revised guidelines also cover the pending QTP applications?	7
14	Where are the existing QTPs and its current status?	7

## 1. What is a Qualified Third Party (QTP)?

It refers to the alternative electric service provider duly qualified and authorized by the ERC to serve QTP Service Areas pursuant to Section 59 of the EPIRA and Rule 14 of the EPIRA-IRR, and as prescribed in this Circular for the purpose of attaining and accelerating the total electrification of the country.

## 2. What are unviable, unserved and underserved areas?

**Unviable area** refers to a geographical area within the franchise area of a DU where the immediate extension of the distribution line is not feasible, as defined by Rule 4 (ssss) of the EPIRA-IRR. Areas that are currently served by the DUs but are deemed unviable on account of huge operating costs shall also mean Unviable areas as defined herein. For the purpose of this Circular, huge operating costs mean that the costs on the construction and the daily operations and maintenance of the facility, will negatively affect the entire financial position of the DUs.

**Unserved area** refers to an area with no electricity access, distribution system lines, individual home system, or connection to any microgrid system.

**Underserved area** refers to an area where electricity services are less than twenty-four (24) hours daily which is currently served by individual home system, microgrid system or distribution facilities because of non-implementation of applied capital expense projects, non-compliance with the service parameters of the Philippine Distribution Code, or any other reason, resulting to an overall failing mark based on the latest annual technical evaluation of performance of distribution system in relation to ERC's imposed targets.

## 3. What are QTP Service Areas?

**QTP Service Area** refers to unviable or unserved, and underserved area declared by the DOE, which the DU cannot provide electricity services for whatever reason.

All unviable, unserved and underserved areas, which are not submitted by the DUs as QTP Service Areas, may be nominated by the QTP proponent to the DOE, subject to the latter's validation and declaration.

## 4. What are the legal basis for QTPs?

As mandated under Section 59 of the EPIRA and Rule 14 of EPIRA-IRR, all areas that have been declared remote and unviable by DOE shall be open for participation by entities to be known as QTPs. To operationalize the participation and investment by the QTPs, the DOE issued the following rules and guidelines:

- **Department Circular (DC) No. 2004-02-002** – Issued on 20 February 2004, "*Prescribing Guidelines for the Formulation of Five- Year Distribution Plan (DDP)*" which requires all DUs to, among others, identify and submit to DOE the list of barangays within their respective franchise areas that are deemed remote, unviable and cannot be provided with electric service within the next three (3) years.

- **Department Circular No. DC2019-11-0015** - Issued on 22 November 2019, *Prescribing Revised Guidelines for Qualified Third Party*” which provides streamlined QTP participation procedure, recognized the greater role of the DUs in the selection of QTPs and harmonized with the Renewable Energy Law.
- **Resolution No. 22 Series of 2006** - Issued by the Energy Regulatory Commission (ERC) on 3 May 2006, which prescribed the rules for the authorization and regulation of the operations of entities endorsed by the DOE as QTP pursuant to Section 59 and 70 of the EPIRA and its IRR.

## 5. Who can participate as QTP?

The participation as a QTP shall be open to any party, including but not limited to private firms, local government units, cooperatives, non-government organizations, generation companies or their subsidiaries or subsidiaries of DUs who has demonstrated the capability and willingness to comply with the relevant technical financial, and other requirements through a Competitive Bidding for QTP. However, **a DU or its subsidiary SHALL NOT be qualified and/or allowed to be a QTP for the area/s under its franchise;**

## 6. How to qualify as QTP?

The candidate QTP should be able to pass the eligibility requirements such as the legal, technical and financial criteria to qualify as a QTP. Once qualified and selected through a competitive bidding for QTPs, it shall secure the necessary permits and licenses from the relevant government agencies.

## 7. Who will conduct the Competitive Bidding for QTP?

The DU, **through its QTP-Bids and Awards Committee (QTP-BAC)**, shall conduct the Competitive Bidding for QTP within twenty (20) working days from the declaration of the DOE of the QTP Service Areas. Should the DU fail to conduct the competitive bidding, the NPC-SPUG shall conduct the Competitive Bidding for QTP.

### **QTP Bids and Awards Committee (QTP-BAC)**

Each Board of Directors (BOD) of the DU or NPC-SPUG shall establish an independent QTP-BAC to spearhead and manage the Competitive Bidding for QTP. The QTP-BAC shall comply with the policy and procedures in the conduct of Competitive Bidding for QTP.

The BOD of the DU or NPC-SPUG shall designate five (5) members of the QTP-BAC;

For all DUs or NPC-SPUG, the QTP-BAC shall be submitted to the DOE for posting in the DOE website. The BOD of the DU or NPC may only serve as an observer and not as a member of the QTP-BAC.

The Chair and Vice Chair shall be selected by the members of the QTP-BAC. The Chairman shall only vote in case of a tie.

A quorum of the QTP-BAC shall be composed of a simple majority of all voting members of the QTP-BAC.

### **QTP-BAC Technical Working Group (TWG) and Secretariat**

The BOD of the DU or NPC-SPUG shall designate its own QTP-BAC TWG and QTP-BAC Secretariat, to be headed by a regular or permanent employee of the DU or NPC-SPUG, preferably an officer, to assist the QTP-BAC in the performance of its functions.

The QTP-BAC TWG shall be composed of technical, legal and financial personnel of the DU or NPC-SPUG.

The QTP-BAC TWG shall assist the QTP-BAC in the technical components of the Competitive Bidding for QTP, such as development of the QSC, TOR, eligibility screening, evaluation of bids, and post-qualification.

The QTP-BAC Secretariat shall provide administrative support to the QTP-BAC for this purpose and serve as the keeper of all records and documents relating to all Competitive Biddings for QTP conducted by the DU or NPC-SPUG.

The QTP-BAC Secretariat shall fully document each step of the Competitive Bidding for QTP and prepare and keep a written minutes of all the QTP-BAC meetings and proceedings.

## **8. What is Competitive Bidding for QTP and how it is done?**

**Competitive Bidding for QTP** refers to a method of procurement which is open for participation by any interested party and consists of the following processes: advertisement/publication and posting, pre-bid conference, Bid submission and evaluation, post-qualification and award of contract.

## OVERVIEW OF THE QTP PROCESS

Concerned unit	Task	Working Days
DU	Submit annual DDP	
DOE	Consolidate and make available to the public the list of QTP Service Areas	40
EC	Submit the Bid Documents and TOR to NEA	20
NEA	Endorse the Bid Documents and TOR to DOE	7
DOE	Observe and recommend changes to the Bid Documents and TOR when necessary	20
DU/NPC	Post the invitation to Bid (Posting and Publication)	15
QTP Proponent	Submit sealed bid proposal	40
DU/NPC	Conduct the Opening of Bids	
DU/NPC	Conduct the Post-Qualification	10
DU/NPC	Issue the Notice of Award	40
DU/NPC & Selected QTP Proponent	Execute the QSC by the DU/NPC and Selected QTP Proponent	10
QTP Proponent	File an application with the ERC for the ATO	

The QTP Proponent shall meet all the requirements in the Invitation to Bid. The first part of the bid shall undergo a pass/fail criteria based on the financial, technical and legal qualifications, while the second part shall consider the lowest price.

The DU/NPC and the selected QTP shall execute the QTP Service Contract after the conduct of successful bidding, in accordance with the template provided by the DOE.

### 9. What is a QTP Service Contract?

**QTP Service Contract** refers to the agreement between the DU or NPC-SPUG and the QTP, defining among others the responsibilities of the parties, the terms and conditions including the applicable performance and service standards, in providing the missionary electrification in QTP Service Area.

The DOE shall issue a template QTP Service Contract reflecting the minimum requirements (ie., supply delivery, efficient distribution, etc.) to be observed by both the DUs and the QTP in electricity service provision

### 10. What are the responsibilities of the QTPs?

The QTPs shall have the following responsibilities:

- a. Comply with all applicable provisions of the Distribution Code, including the requirement to obtain a Certificate of Compliance for its Generation Facilities and other permits the ERC may require;
- b. Operate and maintain properly its facilities to provide services in the QTP Service Area in an efficient and sustainable manner;

- c. Comply, as a mandated participant, with the RPS Off-Grid Rules; and
- d. Submit quarterly reports to the DOE, NEA, NPC-SPUG and ERC on its financial, technical, and operational performance pursuant to Rule 14 of the EPIRA IRR. The report shall be in accordance with the template to be provided by the DOE.

**The QTP may apply to Congress for an electricity distribution franchise.**

**11. What will be the responsibilities of DOE, ERC, NPC, NEA and DUs in the QTP implementation and operation?**

**a. Responsibilities of the DOE:**

- i. Determine and incorporate in the MEDP, the QTP projects for QTP Service Areas;
- ii. Declare Unviable, Unserved and Underserved Areas that are open for the QTP Program;
- iii. Oversee the implementation by the DU or NPC-SPUG of the QTP Program and coordinate any related activities that will contribute to its effective implementation;
- iv. Endorse the QTP Service Areas to NPC-SPUG for the conduct of Competitive Bidding in the event that the DU fails to conduct its Competitive Bidding for QTP within twenty (20) working days from receipt of DOE's notice directing the concerned DU to commence with the bidding;
- v. Declare all Unviable, Unserved and Underserved Areas, which are not identified and endorsed by the DUs as QTP Service Areas and are nominated by the QTP proponents, subject to DOE's validation; and
- vi. Issue the eligibility requirements and the templates for QSC containing its minimum provisions and QTP quarterly report through its website.

**b. Responsibilities of the ERC:**

- i. Take appropriate action on the request of the DU to transfer unenergized areas to another DU, which will provide the service, if any is available;
- ii. Determine the appropriate tariff rate for all customer classes to be served by the QTP and its FCRR, within the period prescribed by law and other related issuances; and
- iii. Provide the necessary regulatory support for the effective implementation of this Circular.

**c. Responsibilities of the NPC:**

- i. Continue to perform missionary electrification by providing power generation and its associated power delivery systems;
- ii. Conduct the Competitive Bidding for the QTPs to serve the QTP Service Areas with reference to Section 16.5 of the Circular;
- iii. Execute the QSC with the selected QTP with reference to Section 17.4.7 of the Circular, in accordance with the minimum terms and conditions as provided in the template; and

- iv. Provide the electricity service in areas that are not taken by the QTPs.

**d. Responsibilities of the NEA:**

- i. Evaluate and verify the Unviable, Unserved and Underserved areas submitted by ECs as QTP Service Areas and submit its recommendations to the DOE in accordance with this Circular not later than March 15 of every year;
- ii. Assist the DOE in monitoring the QTP Program, including but not limited to the household electrification in areas under the ECs;
- iii. Oversee the conduct of Competitive Bidding for QTP by the ECs; and
- iv. Conduct appropriate information and education campaign among ECs to allow private sector participation in the provision of electricity services within the ECs franchise areas.

**e. Responsibilities of the DUs:**

- i. Submit the Distribution Development Plan (DDP) together with the Total Electrification Master Plan. The DU pursuant to the directive to pursue the total electrification of their franchise areas shall prepare and submit its comprehensive Total Electrification Master Plan and shall contain detailed inventory of all Unviable, Unserved and Underserved areas within their franchise;
- ii. Conduct the Competitive Bidding for the QTPs to serve the QTP Service Areas within the period provided in this Circular; and
- iii. Execute the QSC with the selected QTP with reference to Section 16.4.7 of this Circular, in accordance with the template to be provided by the DOE.

**12. Will the QTPs receive a subsidy from the government?**

Eligible consumers in QTP Service Areas shall be provided with financial support in accordance with the policy and program on the rationalization of subsidies as provided for in Rule 10 of the Department Circular No. DC2019-01-0001 "Prescribing Omnibus Guidelines on Enhancing Off-grid Power Development and Operation."

**13. Does the revised guidelines also cover the pending QTP applications?**

The Circular shall be applied prospectively and shall not cover all pending QTP application.

## 14. What is the status of the QTP Program?

Table below shows the existing QTP as of December 2019.

PROJECT LOCATION	TECHNOLOGY	TARGET HHs	PROPONENT	STATUS
Rio Tuba, Bataraza, Palawan	1.05 MW Diesel - Biomass	5,657	PSPI	Operational, Authority to Operate (ATO) issued by ERC , 2010
Malapascua, Daan-Bantayan, Cebu	750 kW Diesel	1,344	PSPI	Operational, Permanent ATO issued by ERC, 2016
Sabang, Puerto Princesa City, Palawan	Hybrid : 1.4 MW Solar + 1.2 MW Diesel + 2.3 MWh Battery	769	SREC	Authority to Operate (ATO) issued by ERC 05 October 2016
Candawaga & Rizal, Palawan	Culasian, 268 kW Diesel	2,063	PSPI	Interim Relief , April 2018
Balut Island, Saranggani, Davao Occidental	690 kW Diesel	4,003	PSPI	Interim Relief , April 2018
Liminangcong, Palawan	Taytay, 108 kW Diesel	1,134	PSPI	Provisional ATO issued by ERC, 2016
Brgy. Tumbod, Palawan	Taytay, Line extension from Brgy. Liminangcong	395	PSPI	Expository Hearing conducted on 25 April 2019
Lahuy Island, Haponan Island in Municipality of Caramoan and Quinalasag Island in the Municipality of Garchitorena, Camarines Sur	Lahuy Island: 246 kWp Solar + 400 kW Diesel + 79kWh Battery  Haponan Island: 51.4 kWp Solar + 100 kW Diesel + 19 kWh Battery  Quinalasag Island: 331 kWp Solar + 500 kW Diesel + 80kWh Battery	Lahuy: 550 HHs  Haponan: 87 HHs  Quinalasag: 705 HHs	FPIEC	Endorsed to ERC (23 Jan 2018)



Bgy. Poblacion, Dumarang, Palawan	Hybrid: 132.8 kWp Solar + 144 kW Diesel + 351.1 kWh Battery	498	PSPI	Endorsed to ERC (18 March 2019)
Bgy. Manamoc, Cuyo, Palawan	216 kW Diesel	509	PSPI	Endorsed to ERC (18 March 2019)
Bgy. Port Barton, San Vicente, Palawan	Hybrid: 200 kWp Solar + 609.5 kW Diesel + 200 kWh Battery	1,375	PSPI	Endorsed to ERC (18 March 2019)