

**[DEPARTMENT CIRCULAR NO. DC2017-12-0015,
January 09, 2018]**

**PROMULGATING THE RULES AND GUIDELINES GOVERNING THE
ESTABLISHMENT OF THE RENEWABLE PORTFOLIO STANDARDS
FOR ON-GRID AREAS**

Adopted: 22 December 2017

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WHEREAS, Republic Act No. 7638, otherwise known as the "Department of Energy (DOE) Act of 1992," declares as a policy of the State to, among others, 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, Republic Act No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001" or "EPIRA," declared policy of the State to, among others: (a) assure socially and environmentally compatible energy sources and infrastructure; and (b) promote the utilization of indigenous and new and renewable energy resources in power generation in order to reduce dependence on imported energy;

WHEREAS, Section 37, Chapter III of EPIRA mandates the Department of Energy (DOE) to encourage private sector investments in the electricity sector and promote the development of indigenous and RE resources;

WHEREAS, Republic Act No. 9513, otherwise known as the "Renewable Energy Act of 2008" or the "RE Act," declared policy of the State to increase the utilization of renewable energy (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, the share of RE in the national power generation mix was 34% at the time of the passage of the RE Act;

WHEREAS, the subsequent increase in electricity demand after 2011 and the construction of more fossil fuel plants for base load requirements of the country decreased the share of RE in the national power generation mix approximately 24%;

WHEREAS, the DOE launched the National Renewable Energy Program (NREP) on 15 June 2011 that institutionalizes a comprehensive approach to encourage greater private sector investments in RE development;

WHEREAS, Section 6, Chapter III of the RE Act provides that all stakeholders in the electric power industry shall contribute to the growth of the RE industry in the country;

WHEREAS, Section 4, Rule 2, Part II of the Implementing Rules and Regulations of the RE Act (RE Act IRR) provides that the RPS, as a policy mechanism, shall oblige electric power industry participants such as Generation Companies, Distribution Utilities (DUs) including Electric Cooperatives (ECs) and Suppliers of Electricity to source or produce a fraction of their electricity requirements from eligible RE resources; and determine to which sector the Renewable Portfolio Standards (RPS) shall be imposed on a per grid basis within one (1) year from effectivity of the RE Act;

WHEREAS, Section 4, Rule 2, Part II of the RE Act IRR provides that the DOE shall issue the RPS upon the recommendation of the NREB;

WHEREAS, the DOE conducted numerous public consultations and technical working group meetings nationwide from 2011-2017 on the proposed rules governing the establishment of the RPS;

NOW THEREFORE, upon the recommendation of the NREB, the DOE hereby issues, adopts and promulgates the following rules and regulations:

RULE 1 GENERAL PROVISIONS

Section 1. Short Title. This Circular shall be known as the "RPS Rules for On- Grid Areas" and shall hereinafter be referred to as the "RPS On-Grid Rules."

Section 2. Purpose. The RPS On-Grid Rules are hereby adopted to: (a) Mandate the electric power industry participants to source or produce a specified portion of their electricity requirements from eligible RE resources in order to develop indigenous and environmentally friendly energy sources; (b) Establish a minimum annual RPS requirement and the minimum annual incremental RE percentage; (c) Prescribe the eligible RE facilities and the compliance mechanisms; (d) Monitor the compliance of the mandated industry participants; and (e) Provide the penalties for non-compliance.

Section 3. Scope. As provided Section 4(c), Rule 2, Part II of the RE Act IRR, the scope of this RPS On-Grid Rules includes:

- (a) Types of Eligible RE Facilities and the identification and certification of generation facilities using said RE resources;
- (b) Yearly minimum RPS requirements;
- (c) Annual minimum incremental percentage of electricity sold by each Mandated Participant that is 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 10 years;
- (d) Means of compliance by the Mandated Participants with the minimum

incremental percentage set by the DOE to meet the RPS requirements;
and

(e) General principles on the establishment and operations of the RE Market and the RE Registrar.

Section 4. Coverage. This RPS Rules shall apply to on-grid areas only. The DOE shall promulgate a separate issuance for the implementation of RPS for Off-Grid Areas.

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

(a) **"Composite Team"** refers to the team established and whose responsibilities are set out under Section 17 and Section 18 respectively, of Rule 5 of this Circular;

(b) **"Contestable Market"** refers to the segment of that electricity end-users who have a choice of a supplier of electricity;

(c) **"Direct Connection"** refers to an arrangement for the supply of energy to an end-user or ecozone enterprise using the transmission or sub-transmission assets with voltage level requirement beyond the level that can be provided by the Distribution Utility or Ecozone Utility Enterprise where the end-use or ecozone enterprise is located; directly connecting to the grid using facilities that cannot be economically and technically provided by the Distribution Utility or Ecozone Utility Enterprise.

(d) **"Distribution Utilities or DUs"** refers to Electric Cooperatives, private corporations, government-owned utilities or existing local government units, which have exclusive franchises to operate distribution systems, including but not limited to, ecozone developers or utility enterprises operating in the economic zones and/or export processing zones;

(e) **"Eligible RE Facility"** refers to a generating facility that utilizes an RE resources or RE technology;

(f) **"Energy Mix"** refers to the total national Net Electricity Sales of the Philippines from all sources of energy in MWh for a given year;

(g) **"Electricity Supply"** refers to energy in kilowatt-hour (kWh) purchased and/or generated to meet the total energy requirement of the Mandated Participant;

(h) **"Feed-in Tariff or FIT"** refers to the RE development mechanism provided under the RE Act that offers guaranteed payments on a fixed rate per kWh for emerging RE sources, excluding generation for own-use;

- (i) **"FIT System"** means the system mandated under Section 7 of the RE Act;
- (j) **"Force Majeure"** refers to a typhoon, storm, tropical depression, flood, drought, volcanic eruption, earthquake, tidal wave or landslide or an act of public enemy, war (declared or undeclared), riot, insurrection, revolution, sabotage, blockade or any violent and threatening actions that resulted to extraordinary disruption of the operations of the electric power industry participant;
- (k) **"Generation Facility"** refers to a facility for the production of electricity;
- (l) **"Local Retail Electricity Supplier or Local RES"** refers to the non-regulated business segment of the DUs catering to the Contestable Market only within its franchise area, or persons authorized by appropriate entities to supply electricity within their respective economic zones;
- (m) **"Mandated Participant"** refers to electric power industry participants mandated to comply with the RPS annual requirement which includes entities enumerated in Rule 3, Section 11 of this RPS On-Grid Rules;
- (n) **"Net Electricity Sales"** refers to energy supply less system losses and own-use reckoned from 26 December of the preceding year to 25 December of the current year;
- (o) **"National Power Corporation or NPC"** refers to the government corporation created under Republic Act No. 6395, as amended;
- (p) **"National Renewable Energy Program" or "NREP"** refers to the policy framework developed by DOE setting out among others the indicative targets for the increased installation of power plants using RE resources;
- (q) **"Net Metering"** refers to a system, appropriate for a distributed generation, in which a distribution grid user has a two-way connection to the grid and is only charged for his net electricity consumption and is credited for any overall contribution to the electricity grid;
- (r) **"Power Supply Agreement or PSA"** is a contract for sale of electricity between the seller and the buyer of electricity;
- (s) **"RE Certificate" or "REC"** refers to a certificate issued by the RE Registrar to electric power industry participants showing the energy sourced, produced, and sold or used. RE Certificates may be traded in the RE Market in complying with the RPS. For purposes of this Circular, the REC shall represent all renewable and environmental attributes from one (1) MWh of electricity generation sourced from a duly registered Eligible RE Facilities;

(t) **"RE Market or REM"** refers to the market where the trading of RECs is made;

(u) **"REM Rules"** refers to the rules established by the DOE for the operation of the RE Market and to govern the conduct of the RE Registrar for the purpose of implementing this RPS On-Grid Rules;

(v) **"RE Registrar"** refers to an entity that issues, keeps and verifies RECs corresponding to energy generated from Eligible RE Facilities and sold to or used by end-users;

(w) **"Retail Electricity Supplier or RES"** refers to any person or entity authorized by the ERC to sell, broker, market or aggregate electricity to the end-users;

(x) **"RPS"** refers to a market-based policy that requires the Mandated Participant to source a portion of their energy supply from Eligible RE Facilities;

(y) **"RPS Account"** refers to the account registered with the RE Registrar either by a Mandated Participant or the owner of an Eligible RE Facility to hold its RECs; and

(z) **"Wholesale Electricity Spot Market or WESM"** refers to the wholesale electricity spot market established by the DOE.

Furthermore, the terms defined under the Republic Act 9136, RA 9513 and their respective IRRs are hereby adopted by reference in this Rules.

RULE 2 RPS POLICY, MINIMUM ANNUAL REQUIREMENT AND ANNUAL INCREMENT

Section 6. Implementation of RPS On-Grid Rules. The RPS On-Grid Rules shall be implemented in Luzon, Visayas and Mindanao grids.

Section 7. Minimum Annual RPS Requirement. The RE Share of electricity coming from RE resources in the Energy Mix shall be based on the aspirational target of 35% in the 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:

Where:

m	=	Year 0 to n, excluding the Transition Period
n	=	the Year of the RPS requirement starting