

[DOE DEPARTMENT CIRCULAR NO. DC 2004-05-005, May 28, 2004]

**STREAMLINING AND RATIONALIZING THE GRANT OF SUBSIDIES
IN THE ELECTRIFICATION OF MISSIONARY AREAS USING SOLAR
PHOTOVOLTAIC SYSTEMS**

WHEREAS, Section 2 of Republic Act No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001" or "EPIRA," declares that it is the policy of the State to ensure and accelerate the total electrification of the country as well as to ensure the quality, reliability, security and affordability of the supply of electric power;

WHEREAS, the Department of Energy ("DOE"), in pursuance of the above policies of the State has targeted the attainment of 100 percent barangay electrification level by 2006 and energization of 90 percent of total potential households by 2017;

WHEREAS, Rule 13 of the Implementing Rules and Regulations of EPIRA or "EPIRA-IRR" mandates the DOE to formulate a Missionary Electrification Development Plan (MEDP) which shall include a program for the provision of capital investment and operations regarding capacity additions in existing missionary areas and the facilities to be provided in other areas not connected to the transmission system;

WHEREAS, the same rule directs the DOE to issue specific guidelines on how to encourage the inflow of private capital and the manner whereby other parties including distribution utilities and qualified third parties ("QTPs") can participate in the missionary electrification projects set forth in the MEDP;

WHEREAS, to achieve the formidable task of providing electricity to unenergized areas, the DOE in partnership with other government agencies and industry stakeholders, has committed to implement the MEDP in a holistic and sustainable manner, which includes among others, rationalization of tariff and subsidy policy, opening up areas that cannot be served by the distribution utilities to alternative electric service providers such as QTPs;

WHEREAS, the Government, despite its limited public resources, is currently providing various forms of subsidies to rural electrification projects and other energy-intensive activities;

WHEREAS, the DOE considers Solar Photovoltaic ("PV") to be cost-effective and environment-friendly technology in providing electricity service and other community services to sparsely populated, remote, unserved and dispersed areas;

WHEREAS, there are various projects that are currently implementing solar Photovoltaic (PV) systems to provide electricity services to sparsely populated, remote, unserved, and dispersed markets that do not give due consideration to

economic efficiency, financial prudence, and institutional capacity;

WHEREAS, to ensure the effective implementation of the solar PV projects in an integrated and sustainable manner, there is an imperative need to rationalize the grant of subsidies to missionary electrification projects using PV systems;

NOW, THEREFORE, the DOE hereby adopts and promulgates the following policies on the grant of subsidies to missionary electrification projects using PV systems.

Section 1. Scope of Coverage.

This Circular shall apply to DOE, NEA, SPUG, and other government agencies as well as donor entities providing solar PV subsidies in unenergized, remote, dispersed and unviable areas suitable for solar PV systems.

Section 2. Definition of Terms.

For the purposes of this Circular, the term:

(a) "*Consumers*" refers to any of the following types of consumers:

1. Single household or establishment availing of a solar home system;
2. Community groups and public institutions availing of Solar PV systems such as solar battery charging station and PV street-lights for community lighting, health clinics, schools, water supply and other community services;

(b) "*Donor Entities*" refers to any of the following:

1. Multilateral and bilateral agencies such as World Bank, USAID, UNDP, ADB, JICA, foreign governments and other similar agencies providing assistance to the government or directly to the consumers;
2. Private and civic groups engaged in rural and community development;

(c) "*Missionary Electrification*" refers to the provision of basic electricity service in unviable areas with the ultimate aim of bringing the operations in these areas to viable levels;

(d) "*Missionary Electrification Development Program (MEDP)*" refers to the five-(5) year plan of the DOE, updated annually, to implement missionary electrification projects funded through the share of Missionary Electrification in the Universal Charge (ME-UC). The MEDP serves as the

country's blueprint for electrification and one of the basis for the determination by the ERC of the ME-UC;

(e) "Qualified Third Party" or "QTP" refers to the alternative electric service provider authorized to serve remote and unviable areas pursuant to Section 59 of the EPIRA and Rule 14 of the EPIRA-IRR;

(f) "Solar Battery Charging Station" refers to a solar PV system consisting of several PV modules that provides battery charging services to a group of consumers or community for generation of electricity;

(g) "Solar Home System" refers to a scheme of solar PV system consisting of one or more PV modules that provides electricity services to a single household or establishment;

(h) "Solar Photovoltaic System" or "Solar PV System" refers to a system that uses a semi-conductor device called photovoltaic modules to convert solar energy directly into electrical energy, which include among others solar battery charging station, solar home system and other similar solar PV applications;

(i) "Solar PV Dealer" refers to a Person engaged in direct dealership business which sells PV equipment to households in unenergized and remote rural areas;

(j) "Solar PV Service Provider" refers to a variant of Qualified Third Party engaged in fee-for-service business that installs solar PV systems and, in turn, collects fees for services to consumers in unenergized or remote rural areas;

(k) "Solar PV Subsidy" refers to the direct or indirect assistance provided by the government and/or donor entities for reducing the cost of providing electricity services and other community services using solar PV systems in unenergized, remote, dispersed and unviable areas suitable for solar PV systems.

Section 3. Sources of Solar PV Subsidy.

The solar PV subsidy shall be funded from, but not limited to, the following:

(a) Missionary Electrification Component of the Universal Charge (ME-UC);

(b) Budgetary allocations of DOE, NEA, SPUG and other energy related government agencies appropriated for rural electrification such as but not limited to grants and aids received from other agencies of the government, private sector or international institutions and internally-generated funds;

(c) DOE administered funds appropriated for rural electrification; and,