

**[DEPARTMENT CIRCULAR NO. DC 2018-07-0019,
August 16, 2018]**

**PROMULGATING THE RULES AND GUIDELINES GOVERNING THE
ESTABLISHMENT OF THE GREEN ENERGY OPTION PROGRAM
PURSUANT TO THE RENEWABLE ENERGY ACT OF 2008**

*Adopted: 18 July 2018
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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," declares the 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 (RE) Resources in power generation in order to reduce dependence on imported energy;

WHEREAS, Section 37(e)(i), Chapter III of the EPIRA mandates the 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," declares the 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 its efficient and cost-effective commercial application by providing fiscal and non-fiscal incentives;

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 9, Chapter III of the RE Act provides that the DOE shall establish a Green Energy Option Program (GEOP), which provides End-Users the option to choose RE Resources as their sources of energy;

WHEREAS, Section 9, Chapter III of the RE Act, further provides that the DOE, in consultation with the National Renewable Energy Board (NREB), shall promulgate the appropriate implementing rules and regulations necessary, incidental or convenient to achieve the objectives of the RE Act for the GEOP;

WHEREAS, the NREB conducted public consultations covering Luzon, Visayas, and Mindanao areas, and thereafter endorsed to the DOE on 01 November 2017, its proposed implementing rules and regulations for the GEOP; and

WHEREAS, the DOE conducted further public consultations on 13 December 2017 in Mandaluyong City, Metro Manila; and on 18 January 2018 in Davao City.

NOW, THEREFORE, premises considered, the DOE hereby issues, adopts and promulgates the following rules and regulations:

RULE 1 GENERAL PROVISIONS

Section 1. Title and Scope. This Circular shall be known as the "Rules Governing the Establishment of the Green Energy Option Program (GEOP) in the Philippines" and shall hereinafter be referred to as the "GEOP Rules."

Section 2. Purpose. This GEOP Rules sets the general rules and procedures to properly guide the End-Users, RE Suppliers and Network Service Providers (NSP), in facilitating the option taken by the End-Users to choose RE Resources as sources of their energy.

This Circular considers various options for End-Users to contribute in the development and utilization of RE Resources, in a least-cost and sustainable manner.

Section 3. Guiding Principles. Consistent with the intent of RE Act to empower End-Users to choose RE Resources as their sources of energy, the following principles shall apply:

(a) Any End-User opting to participate in the GEOP shall inform its host DU of his plan to source power from RE Resources. The DU and RE Supplier, on the other hand, shall fully inform the End-User of the attendant technical, commercial and legal arrangements necessary to implement the GEOP. It is therefore presumed and understood that the End-User has rendered an informed decision when it opted to source its energy requirements from a RE Supplier under the GEOP;

(b) The NSPs, as the entities mandated to provide transmission and distribution services within their respective franchises, shall adhere to the principles of open and non-discriminatory access to the transmission and distribution facilities;

(c) The NSPs shall ensure the reliable and efficient wire or wheeling services to the End-User and/or the RE Supplier. The attendant commercial and technical arrangements shall be discussed and agreed with the RE Suppliers and the End-Users;

In cases where the GEOP Supply Contract is canceled, revoked or terminated for any reason, the NSPs shall continue to provide the wheeling services; Provided. However, That any unpaid obligations of the End-User or RE Supplier is settled or paid.

(d) All rates and charges to End-Users shall be unbundled, segregated, and itemized for each of the generation components, transmission charges and/or distribution charges, supply charges and other applicable charges; and

(e) The GEOP shall be a non-regulated activity intended to develop and promote the increased utilization of indigenous and environmentally-friendly sources of energy through the empowerment of End-Users to choose RE Resources. As such, the GEOP Supply Contract need not be approved by the Energy Regulatory Commission (ERC).

Section 4. Scope. This Circular shall apply to the following stakeholders:

- (a) End-Users;
- (b) RE Suppliers;
- (c) Distribution Utilities;
- (d) Economic Zone Developers;
- (e) Economic Zone Utility Enterprises;
- (f) National Transmission Corporation (TRANSCO) or its successors-in-interest;
- (g) Philippine Electricity Market Corporation (PEMC) and/or the Independent Market Operator (IMO);
- (h) Supplier of Last Resort (SOLR);
- (i) Central Registration Body (CRB); and
- (j) RE Registrar.

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

(a) **"Distribution Utilities" or "DU"** refer to electric cooperatives, private corporations, government-owned utilities or existing local government units which have exclusive franchises to operate distribution systems in accordance with the EPIRA, including DUs and entities licensed to operate in the economic zones;

(b) **"End-User"** refers to any person or entity requiring the supply and delivery of electricity for its own use. As used in this Circular, an End-User shall refer to any person or entity who chooses RE Resources as sources of its energy;

(c) "Generation Facility" refers to a facility where electric energy is produced from some other form of energy by means of a suitable apparatus;

(d) "GEOP Supply Contract" refers to the agreement between an End-User and an RE Supplier for the supply of electricity generated from RE by duly authorized RE Supplier, which shall contain at the minimum, the following terms and conditions:

- (i) Contract Period;
- (ii) Name of Electricity End-User and Location;
- (iii) Name of RE Supplier and Source of RE Supply;

- (iv) Guaranteed Demand (in kW or MW) and Energy (in kWh or MWh);
- (v) Contract Price for the supply of electricity;
- (vi) Payment Terms;
- (vii) Replacement Power Provision;
- (viii) Default Provision; and
- (ix) Other Charges, if any, segregated and itemized.

(e) "Mandated Entities" refer to electric power industry participants mandated to carry out the responsibilities under the GEOP;

(f) "National Grid Corporation of the Philippines" or "NGCP" refers to the entity granted a franchise under Republic Act No. 9511 by the Congress of the Philippines to operate and maintain the transmission network of the Philippines in accordance with the provisions of the Concession Agreement with the Government of the Philippines;

(g) "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;

(h) "Network Service Provider" refers to a person or entity engaged in the activity of owning, controlling, or operating a transmission or distribution system intended for the conveyance of electric power from the Generating Facility to the End-User;

(i) "RE Certificate" or "REC" refers to a certificate representing all renewable and environmental attributes from one megawatt-hour (1MWh) of electricity generation sourced from duly registered and eligible RE Generation Facilities;

(j) "Renewable Energy Market" or "REM" refers to the market developed and operated by PEMC or the independent market operator, as the case may be, where the trading of the RE Certificates is made pursuant to Section 8 of the RE Act;

(k) "RE Suppliers" refer to individuals or juridical entities created, registered or authorized to operate in the Philippines in accordance with existing laws and engaged in the provision or supply of electric power from RE resources to End-User, duly issued operating permits by the DOE;

(l) "RE Registrar" or "RER" refers to a unit within EMC, which is non-stock, non-profit private corporation designated in accordance with RE Act that will administer and operate the REM;

(m) "RE Resources" refer to energy resources that do not have an upper limit on the total quantity to be used. Such resources are renewable on a regular basis, and whose renewal rate is relatively rapid to consider availability over an indefinite period of time. These include, among others, biomass, solar, wind, geothermal, ocean energy and hydropower that conform with internationally accepted norms and standards on

dams, and other emerging renewable energy technologies;

(n) "Replacement Power" refers to the supply of electricity to an End-User enrolled in the GEOP which shall be delivered to the latter should the RE Resource contracted by the RE Supplier be unavailable for whatever cause or reason; and

(o) "Wholesale Electricity Spot Market" or "WESM" refers to the wholesale electricity spot market established by the DOE pursuant to Section 30 of the EPIRA.

Furthermore, this Circular hereby adopts by reference the terms defined in the EPIRA and RE Act and their respective implementing rules and regulations.

RULE 2 ELIGIBLE END-USERS FOR GEOP

Section 6. Voluntary Participation of End-Users with Average Peak Demand of 100 kilowatts (kW) and above. Upon the effectivity of this Circular, the following threshold levels shall be applied to ensure an orderly implementation of the GEOP:

(a) All End-Users with a monthly average peak demand of 100 kW and above, for the past twelve (12) months, may opt to participate in the GEOP;

(b) In the case of new connections, the following shall apply:

(i) End-Users whose estimated average monthly peak demand for the next twelve (12) months, based on the load profiling, is 300 kW or above, may participate in the GEOP;

(ii) A newly connected End-User whose estimated average monthly peak demand for twelve (12) months, based on the load profiling, is from 100 kW to below 300 kW, shall have registered historical monthly peak demand of at least 100 kW for three (3) consecutive months, to be able to participate in the GEOP; and

(iii) An End-User that has been in operation for less than twelve (12) months from the effectivity of the GEOP Rules shall be considered as a newly connected End-User for the purposes of this Circular.

(c) The participation of the End-User in the GEOP shall be governed by a GEOP Supply Contract between the End-User and its RE Supplier. The GEOP Supply Contract shall not require an approval from the ERC as stated under Section 3(e) of Rule 1 hereof.

(d) The participation of the End-User in the GEOP shall be for the desired supply of RE generation in its demand and energy requirements.