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4 **DEPARTMENT CIRCULAR NO. DC\_\_\_\_\_ - \_\_\_\_ - \_\_\_\_\_**  
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7 **POLICIES TO ENHANCE THE NET-METERING PROGRAM FOR**  
8 **RENEWABLE ENERGY SYSTEMS AND OTHER MECHANISMS**  
9 **TO ENSURE ENERGY SECURITY**  
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12 **WHEREAS**, Republic Act No. (RA) 7638, otherwise known as the “Department of  
13 Energy (DOE) Act of 1992”, declares as a policy of the State to, among others,  
14 ensure a continuous, adequate and economic supply of energy through the  
15 integrated and intensive exploration, production, management and development of  
16 the country’s indigenous energy resources;  
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18 **WHEREAS**, RA 9136, otherwise known as the “Electric Power Industry Reform Act  
19 of 2001” or “EPIRA”, provides that it is the declared policy of the State to, among  
20 others: (a) assure socially and environmentally compatible energy sources and  
21 infrastructure; and (b) promote the utilization of indigenous and new and renewable  
22 energy (RE) resources in power generation in order to reduce dependence on  
23 imported energy;  
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25 **WHEREAS**, Section 37 of EPIRA mandates the DOE to encourage private sector  
26 investments in the electricity sector and promote the development of indigenous and  
27 RE resources;  
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29 **WHEREAS**, RA 9513, otherwise known as the “Renewable Energy Act of 2008” or  
30 the “RE Act”, provides that it is the declared policy of the State to accelerate the  
31 exploration and development of RE resources including hybrid systems, to achieve  
32 self-reliance, strategies to reduce the country’s dependence on fossil fuels and  
33 thereby minimize the country’s exposure to price fluctuations in the international  
34 markets, the effects of which spiral down to almost all sectors of the economy;  
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36 **WHEREAS**, the RE Act further provides the declared policy of the State to increase  
37 the utilization of RE by institutionalizing the development of national and local  
38 capabilities in the use of RE Systems, and promoting their efficient and cost-effective  
39 commercial application by providing fiscal and non-fiscal incentives;  
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41 **WHEREAS**, Section 10 of the RE Act and Section 7 of its Implementing Rules and  
42 Regulations (RE Act-IRR) provides that the Energy Regulatory Commission (ERC),  
43 in consultation with the National Renewable Energy Board and the electric power  
44 industry participants, shall establish Net-Metering interconnection standards and  
45 pricing methodology and other commercial arrangements necessary to ensure  
46 success of the Net-Metering for renewable energy program;  
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48 **WHEREAS**, Section 10 of the RE Act further provides that the DOE, ERC, National  
49 Transmission Corporation or its successors-in-interest, Distribution Utilities,  
50 Philippine Electricity Market Corporation and all relevant parties are mandated to

provide the mechanisms for the physical connection and commercial arrangements necessary to ensure the success of the Net-Metering for RE program, consistent with the Philippine Grid and Distribution Codes;

**WHEREAS**, on 27 May 2013, ERC issued a Resolution No. 9, Series of 2013 entitled “*A Resolution Adopting the Rules Enabling the Net-Metering Program for Renewable Energy*” or the “Net-Metering Rules”;

**WHEREAS**, during implementation of Net-Metering Program from July 2013 to December 2018, it was reported that a total of 17 MW of Net-Metering facilities (from 2,232 Qualified End-Users) have been installed in the Philippines, wherein 66% of it are located within the franchised area of one Distribution Utility, equivalent to only 0.12% of the 2018 total non-coincident peak demand of 14,782 MW;

**WHEREAS**, despite the high potential of renewable energy resources in the country, numerous economic and non-economic barriers under the current design of the Net-Metering Program have contributed to low participation of End-Users;

**WHEREAS**, on 22 December 2017, the DOE issued the Department Circular No. DC2017-12-0015 entitled, “*Promulgating the Rules and Guidelines Governing the Establishment of the Renewable Portfolio Standards for On-Grid Areas*,” or the “RPS On-Grid Rules” where every kilowatt-hour produced from the Net-Metering Program are eligible to earn RE Certificates, which shall be credited as compliance of the Distribution Utilities in its obligation as a mandated participant under the RPS;

**WHEREAS**, the DOE is continuing its efforts in promulgating and issuing relevant policies and programs, e.g., RPS Off-Grid Rules, Green Energy Option Program Rules, RE Market Rules, etc., in order to realize the objectives of the RE Act. The full implementation of the aforesaid mechanisms shall boost the entry of Distributed Photovoltaic (DPV) Technology;

**WHEREAS**, in partnership with the DOE, the United States Agency for International Development (USAID), through the Clean Power Asia Program which leveraged the expertise of the United States National Renewable Energy Laboratory, Lawrence Berkeley National Laboratory and Chulalongkorn University, published the “*Distributed Photovoltaic Economic and Technical Impact Analysis in Philippines*” or the DPV Study. The study provides a data-driven analysis on three key impacts, i.e., customer economics, utility revenue and retail rate, and technical impact on the distribution grid, of DPV adoption through the Net-Metering Program, and examines the implications for potential policy and regulatory revisions;

**NOW THEREFORE**, after due consideration of the above, the DOE hereby adopts the following rules and regulations:

**Section 1. Title.** This Department Circular shall be known as the “*Policies to Enhance the Net-Metering Program for Renewable Energy Systems and other Mechanisms to Ensure Energy Security*”.

**Section 2. Purpose.** This Circular shall encourage and promote Electricity End-Users’ participation into the Net-Metering Program and into other mechanisms

introduced herein by enhancing the current commercial arrangements while ensuring the economic and technical viability both from the End-Users' and the Distribution Utilities' perspective.

**Section 3. Scope.** This Circular sets out the policies and guidelines on the following:

- (a) Adoption of multiple compensation mechanisms for Net-Metering Program;
- (b) Voluntary connection of RE Systems above 100 kW capacity; and
- (c) Utilization of Own-Use RE Systems as Emergency Supply.

**Section 4. Definition of Terms.** As used in this Circular, the following terms are herein defined:

- (a) **“Distributed Generation”** refers to a system of small generation entities supplying directly to the distribution grid, any one of which shall not exceed one hundred kilowatts (100 kW) in capacity, as defined in Section 4(j) of the RE Act.
- (b) **“Distribution System”** refers to the system of wires and associated facilities belonging to a franchised Distribution Utility extending between the delivery points on the transmission or sub-transmission system or generator connection and the point of connection to the premises of the End-User, as defined in Section 4(o) of EPIRA.
- (c) **“Distribution Utility” or “DU”** refers to any electric cooperative, private corporation, government-owned utility or existing local government unit which has an exclusive franchise to operate a Distribution System in accordance with its franchise and RA No. 9136, as defined in Section 4(l) of the RE Act.
- (d) **“Electricity End-User” or “End-User”** refers to any person or entity requiring the supply and delivery of electricity for its own use, as defined in Section 4(t) of EPIRA.
- (e) **“Energy Regulatory Commission” or “ERC”** refers to the independent quasi-judicial regulatory agency created pursuant to EPIRA and as defined in Section 4(n) of the RE Act.
- (f) **“Net-Metering”** refers to a system, appropriate for Distributed Generation, in which a distribution grid user has a two-way connection to the grid and is only charged for his electricity consumption and is credited for any overall contribution to the electricity grid as defined in Section 4(gg) of the RE Act.
- (g) **“Non-Residential Customers”** refers to captive customers that are not classified as residential customers, i.e., commercial, industrial, transportation, schools, hospitals, and government institutions.
- (h) **“Qualified End-Users”** refers to entities that generate electric power from an eligible on-site RE generating facility, such as, but not limited to, house or office building with photovoltaic system that can be connected to the grid, for

the purposes of entering into a Net-Metering agreement, as defined in Section 7 of the RE Act-IRR.

- (i) **“Renewable Energy Certificate” or “RE Certificate”** refers to a certificate issued by the RE Registrar to Mandated Participants of the RPS showing the energy sourced, produced, and sold or used from the Eligible RE Systems. The definition of RE Certificate as defined under Section 3(tt) of the RE Act-IRR is hereby revised.
- (j) **“Renewable Energy Systems” or “RE Systems”** refers to energy systems which convert RE resources into useful energy forms, like electrical, mechanical, etc., as defined in Section 4(vv) of the RE Act.
- (k) **“Renewable Portfolio Standards” or “RPS”** refers to a market-based policy that requires electric power industry participants, including suppliers, to source a portion of their energy supply from eligible RE Resources, as defined in Section 4(ss) of the RE Act.
- (l) **“Residential Customers”** refers to captive customers that consist of living quarters for private households as classified by the DUs wherein common uses of electricity includes space heating, water heating, air conditioning, lighting, refrigeration, cooking, and other appliances.
- (m) **“Time-of-Use”** refers to a service that allows DUs to offer energy pricing scheme/s based on the time of day when electricity is generated and the cost of supplying the same to customers during these specific periods, as agreed upon by both parties.

**Section 5. Adoption of Multiple Compensation Mechanisms for Net-Metering Program.** The concerned DUs and Qualified End-Users shall adopt the following compensation mechanisms as described in Table 1 (Annex A), subject to the final determination of the ERC:

- (a) **Classical Net-Metering for Residential Customers.** The excess generation from a billing period is valued as energy (kWh) and kept as credits that offset energy consumption in subsequent billing periods. The remaining credits at the end of the year, if any, are forfeited; and
- (b) **Current Net-Metering for Non-Residential Customers.** The excess generation from a billing period is converted into monetary credits to offset the bills in subsequent billing periods for one calendar year. At the end of the calendar year, remaining credits are bought at blended generation or Time-of-Use (TOU) rates.

The compensation mechanisms shall be subject to a joint review and evaluation by the DOE and ERC every two (2) years, from the effectivity of this Circular, to ensure that the Net Metering Program redounds to the greater benefit of the Electricity End-Users.

**Section 6. Own-Use RE Systems with Above 100 kW capacity.** As far as practicable and to maximize the development and utilization of potential RE resources, to support the obligations of DUs under RPS and to help in ensuring supply security, Own-Use RE Systems with above 100 kW capacity may export their excess energy generation into the grid, subject to the following conditions:

- (a) The installed capacity of eligible Own-Use RE System shall not be more than the End-User's average annual peak demand, as evidenced by its historical power billings, or the End-User's optimum capacity, if DPV, calculated as follows:

$$\text{Optimum Capacity (kW}_P\text{)} = \frac{\text{3-Year Average Annual Energy Demand (kWh)}}{\text{DPV Estimated Annual Energy Yield* (kWh/kW}_P\text{)}}$$

\*may be sourced from <https://globalsolaratlas.info>

- (b) All interested End-Users shall inform the concerned DUs on their intention to export excess energy generation into the grid at least three (3) months from the intended date of its commissioning;
- (c) The interested End-User and the concerned DU shall enter into an agreement, which template shall be promulgated by and submitted to the ERC. Otherwise, the franchised DU shall inform its End-Users within seven (7) working days from receipt of intent;
- (d) The exported energy shall be bought by the DU based on its blended generation or Time-of-Use rates or any pricing methodology as determined by the ERC; and
- (e) All interested End-Users shall observe strict compliance with the Philippine Distribution Code and Distribution Services and Open Access Rules.

**Section 7. Own-Use RE System as Emergency Supply Option.** To contribute in the supply of electricity during power supply shortages or emergency situations, any on-site Own-Use RE System connected to a distribution/transmission system with an installation capacity of more than 100 kW may be allowed to provide emergency supply, subject to the following:

- (a) All End-Users intending to participate in this voluntary program shall inform its franchised DU and shall enter into an agreement with the DU, a copy of which shall be furnished DOE and ERC;
- (b) Intending End-Users shall be compensated based on blended generation rate of the DU or Time-of-Use rate or any pricing methodology as determined by the ERC; and
- (c) The provisions of all necessary interconnection facilities and metering facilities shall be agreed by the End-Users and concerned DU.

**Section 8. Rights and Obligations of the Distribution Utilities.** The DUs shall be responsible on the following:

- (a) The franchised DU shall conduct a Distribution Impact Study (DIS) on a feeder-specific level to expedite approvals of the Net-Metering and Own-Use RE System applications and to ensure the technical viability and safety of integrating the RE System into the grid. For transparency, all DUs shall publish the capacities that may be available for Net-Metering and Own-Use RE System on a per feeder or sector basis;
- (b) The electricity generated and exported by the RE System into the grid shall be compensated by the DU in accordance with the pricing methodology as determined by the ERC;
- (c) All DUs are mandated to accept all applications for Net-Metering and Own-Use RE System and conduct the DIS on a timely manner. However, the DU may not allow the integration of the RE System into its Distribution System should it find negative technical impacts and degradation thereto: *Provided*, That the reason for non-integration shall be disclosed to the End-User, copy the DOE and ERC; and
- (d) By virtue of its franchise rights, the DU has the power to terminate its services to any End-User should it find any on-site RE System that has not gone through proper application process.

**Section 9. Responsibility of the National Electrification Administration (NEA).** The NEA shall provide necessary technical and financial assistance to all Electric Cooperatives in conducting Distribution Impact and Asset Studies.

**Section 10. Responsibility of the Local Government Units (LGUs).** All LGUs shall observe strict compliance with RA 11234 or the “Energy Virtual One Stop Shop (EVOSS) Act” and RA 11032 or the “Ease of Doing Business (EODB) Act” in processing permits and licenses related to application for Net-Metering and Own-Use RE System, e.g., Building Permit, Certification of Final Electrical Inspection, among others.

**Section 11. Responsibilities of the ERC.** To ensure that the provisions of the Circulars are implemented properly and encourage new investments in RE while ensuring customer protection, the ERC is hereby responsible for the following:

- (a) Revision of the current Net-Metering Rules including the Net-Metering Interconnection Standards, Net-Metering Agreement, and other commercial arrangements necessary to ensure the success and implementation of this Circular;
- (b) Formulate regulations to avoid and/or minimize the cross-subsidies, between non-adopters and adopters of Net-Metering and Own-Use RE System, including cross-subsidies between Residential and Non-Residential Customers;

- (c) Determination and enforcement of a uniform process flow and fees and charges across all DUs for the conduct of Distribution Impact and Asset Studies and execution of Net-Metering Agreement and any commercial arrangements and agreements as required herein in accordance with RA 11234 or the EVOSS Act and RA 11032 or the EODB Act; and
- (d) Develop pricing methodology to ensure the effective implementation of Own-Use RE Systems with above 100 kW capacity under Section 6, and Own-Use RE System as Emergency Supply as described under Section 7 of this Circular.

**Section 12. Separability Clause.** If any provision of this Circular is declared invalid or unconstitutional, the other provisions not affected thereby shall remain valid and subsisting.

**Section 13. Repealing Clause.** All previous issuances, rules and regulations inconsistent with this Circular are hereby repealed, amended or modified accordingly.

**Section 14. Effectivity.** This Circular shall take effect fifteen (15) days after its publication in at least two (2) newspapers of general circulation. Copies of this Circular shall be filed with the University of the Philippines Law Center – Office of the National Administrative Register.

**ALFONSO G. CUSI**  
Secretary

Issued on \_\_\_\_\_ at the Department of Energy,  
Fort Bonifacio, Taguig City, Metro Manila.

## ANNEX “A”

Table 1. Compensation Mechanisms

Criteria	Classical Net-Metering for Residential Customers	Current Net-Metering for Non-Residential Customers
<b>Quantities Measured and Billed</b>	<ul style="list-style-type: none"> <li>• Net consumption over the billing cycle</li> <li>• Net excess kWh credits to be compensated or banked</li> </ul>	<ul style="list-style-type: none"> <li>• Instantaneous net consumption throughout the billing cycle</li> <li>• Instantaneous net exports throughout the billing cycle</li> </ul>
<b>Netting Frequency</b>	Monthly	Hourly
<b>Compensation for Excess Generation</b>	Retail Rate	Blended Generation or Time-of-Use Rate
<b>Rolling Credit</b>	Yes (kWh)	Yes (Peso)
<b>Banking Period</b>	One (1) Year	One (1) Year
<b>Buyback Rate at the end of Banking Period</b>	No Buyback	Blended Generation or Time-of-Use Rate