



Republic of the Philippines  
DEPARTMENT OF ENERGY

DEPARTMENT CIRCULAR NO. DC2017-12-0016 *JS*

**ADOPTING THE GUIDELINES FOR THE PERFORMANCE ASSESSMENT AND  
AUDIT OF ALL POWER GENERATION, TRANSMISSION AND DISTRIBUTION  
SYSTEMS AND FACILITIES**

**WHEREAS**, Republic Act No. 7638, otherwise known as "Department of Energy Act of 1992" declares the policy of the State to "ensure a continuous, adequate and economic supply of energy with the end in view of ultimately achieving self-reliance in the country's energy requirements through the integrated and intensive exploration, production, management, and development of the country's indigenous resources, and through the judicious conservation, renewal and efficient utilization of energy to keep pace with the country's growth and economic development and taking into consideration the active participation of the private sector in the various areas of energy resource development;

**WHEREAS**, Republic Act No. 9136, otherwise known as "The Electric Power Industry Reform Act of 2001" (EPIRA) declares, among others, the policy of the State to "ensure the quality, reliability, security and affordability of the supply of electric power and protect the public interest as it is affected by the rates and services of electric utilities and other providers of electric power";

**WHEREAS**, pursuant to Section 37 of the EPIRA, the Department of Energy (DOE) is specifically mandated, among others, to:

- (a) formulate policies for the planning and implementation of comprehensive program for the efficient supply and economical use of energy consistent with the approved national economic plan and with the policies on environmental protection and conservation and maintenance of ecological balance, and provide a mechanism for the integration, rationalization, and coordination of the various energy programs of the Government;
- (b) ensure the reliability, quality and security of supply of electric power and to facilitate and encourage reforms in the structure and operations of distribution utilities for greater efficiency and lower costs;
- (c) following the restructuring of the electric power industry, facilitate and encourage reforms in the structure and operations of distribution utilities for greater efficiency and lower costs, and in consultation with other government agencies, promote a system of incentives to encourage industry participants, including new generating companies and end-users to provide adequate and reliable electric supply;



- (d) to monitor private sector activities relative to energy projects in order to attain the goals of the restructuring, privatization, and modernization of the power sector as provided for under existing laws: Provided, that the Department shall endeavor to provide for an environment conducive to free and active private sector participation and investment in all energy activities;
- (e) formulate such rules and regulations as may be necessary to implement the objectives of this EPIRA; and
- (f) exercise such other powers as may be necessary or incidental to attain the objectives of this Act.

**WHEREAS**, pursuant to Section 43 of the EPIRA, the Energy Regulatory Commission (ERC) is specifically mandated and authorized to among others enforce the Implementing Rules and Regulations of the EPIRA; promulgate and enforce the National Grid Code and Distribution code that sets the performance standards for the National Transmission Corporation and its Concessionaire, distribution utilities and suppliers and the minimum capability financial capability for these entities including generation companies for the protection of public interest;

**WHEREAS**, Republic Act No. 9511 mandates the National Grid Corporation of the Philippines, as the Grantee of the concession of the transmission system, grid and related facilities that the same shall be operated and maintained at all times in accordance with industry standards, and it shall be the duty of the Grantee, its successors or assigns, whenever required to do so by the ERC or its legal successor, to modify, improve and change such system or facilities in such manner and to such extent as the progress in science and improvements in the electric power services may reasonably require;

**WHEREAS**, pursuant to Section 5 of the Republic Act No. 10531, otherwise known as "National Electrification Administration Reform Act of 2013", the National Electrification Administration (NEA) is authorized and empowered among others, to:

- (a) supervise the management and operations of all electric cooperatives; and
- (b) develop, set and enforce institutional and governance standards for the efficient operation of electric cooperatives such as, but not limited to, the observance of appropriate procurement procedure, including transparent and competitive bidding. Such standards shall be enforced through a mechanism of incentives and disincentives to complying and non-complying electric cooperatives, respectively;

**WHEREAS**, the DOE promulgated Department Circular no. DC2017-05-0008 entitled, *"Providing for the Policies and Guidelines on the Conduct of Performance Assessment and Audit for All Power Generation, Transmission and Distribution Systems and Facilities,"* which mandates the institutionalization of the Performance Assessment and Audit for the Power Generation, Transmission and Distribution Systems and Facilities and the adoption of detailed guidelines;

**WHEREAS**, in view of the DOE's efforts to continuously improve the implementation of the restructuring and deregulation of the electric power industry, the DOE deems it necessary to adopt policies for the effective enforcement and monitoring of the various compliances, requirements including, but not limited to, standards, anti-competitive behaviour metrics and reportorial requirements.

**NOW, THEREFORE**, in consideration of the above-mentioned premises, the DOE hereby issues, adopts and promulgates the attached ***Guidelines for the Performance Assessment and Audit of All Power Generation, Transmission and Distribution Systems and Facilities***, hereto attached as Annex A and made an integral part of this DOE Circular.

**Separability Clause.** If for any reason, any section or provisions of this Circular and its Annex are declared unconstitutional or invalid, such parts not affected shall remain in full force and effect.

**Repealing Clause.** Except insofar as may be manifestly inconsistent herewith, nothing in this Circular shall be construed as to repeal any of the mechanisms already existing or responsibilities already provided for under existing rules.

**Effectivity.** This Circular shall take effect 15 days following its complete publication in at least two (2) newspapers of general circulation.

Issued on DEC 28 2017 at Energy Center, Bonifacio Global City, Taguig City.

  
**ALFONSO G. CUSI**  
Secretary





## **ANNEX A**

### **GUIDELINES FOR THE PERFORMANCE ASSESSMENT AND AUDIT OF ALL POWER GENERATION, TRANSMISSION AND DISTRIBUTION SYSTEMS AND FACILITIES**

#### **I. INTRODUCTION**

Pursuant to the policy of the State to ensure the quality, reliability, security and affordability of supply of electric power and to protect public interest, the Department of Energy (DOE) promulgated Department Circular No. DC2017-05-0008, which provides the policies and guidelines on the conduct of Performance Assessment and Audit for all power generation, transmission and distribution systems and facilities in the country. It is an exercise of the police power given to the DOE who is mandated, among others:

- (1) Prepare, integrate, coordinate, supervise and control all plans, programs, projects, and activities of the government relative to energy exploration, development, utilization, distribution and conservation (Section 4 of RA 7638);
- (2) Exercise supervision and control over all government activities relative to energy projects in order to attain the goals embodied in Section 2 of RA 7638 (Section 37 (h) of RA 9136);
- (3) Develop policies and procedures and, as appropriate, promote a system of energy development incentives to enable and encourage electric power industry participants to provide adequate capacity to meet demand including, among others, reserve requirements (Section 37 (i) of RA 9136);
- (4) Monitor private sector activities relative to energy projects in order to attain the goals of the restructuring, privatization, and modernization of the power sector as provided for under existing laws: Provided, That the Department shall endeavor to provide for an environment conducive to free and active private sector participation and investment in all energy activities (Section 37 (j) of RA 9136); and
- (5) Formulate such rules and regulations as may be necessary to implement the objectives of this Act (Section 37 (p) of RA 9136).

The Performance Assessment and Audit shall serve as the DOE's tool for the assessment of the overall performance of the electric power industry, thereby paving the way for a holistic and comprehensive development of policy that is instrumental in supporting the economic growth of the country. This activity shall organize the manner of responding to the constantly changing conditions and developments in the power sector, through the harmonization of systems and procedures and the maximization of resources.

The output of the Performance Assessment and Audit shall ensure compliance with the current standards. It shall also be a significant input to the Philippine Energy Plan – paving the way to improve efficiency; provide incentives; enhance safety, health, and environment standards; establish stronger accountabilities; develop an interoperable information communication technology system; strengthen institutions and organizations; develop and capacitate human resources; build resilient energy infrastructure and systems; and, develop quick response procedures that ultimately protect and empower the consumers.

The manner of conducting the Performance Assessment and Audit shall embrace the policy of minimum interference by the government in the operation of the energy industry players. The Performance Assessment shall identify and avoid duplication of functions by government agencies, standardize timelines and forms, streamline processes, and harmonize reportorial requirements.

Consequently, the inputs shall be utilized for government to review and evaluate processes, existing policies, regulations and standards and advance policies that are investor-friendly and highly protective of the Filipino consumers.

## **II. OBJECTIVE**

This **Guidelines** is intended to direct the Electric Power Industry Participants, the Auditors and the Auditees, to effectively implement the Performance Assessment and Audit activities.

## **III. NATURE**

Performance Audit involves the complete and careful inspection and examination to determine whether the systems and facilities in the operation of the power generation, transmission and distribution sectors are in accordance with the existing standards.

Performance Assessment on the other hand, involves the holistic evaluation to determine whether the Electric Power Industry Participants, their systems, operations and facilities, adhere to the principles of efficiency, effectiveness, appropriateness and safety.

## **IV. PERFORMANCE AUDIT SCOPE**

The entities conducting audit and/or review, hereby referred to as Auditors, shall effectively perform their functions in accordance with their respective mandates. The Performance Audit shall refer to the audit and/or review of power generation, transmission and distribution systems and facilities of the Auditors which shall include, but not limited to the following:



## **1. Power Generation System and Facilities**

The audit of Power Generation System and Facilities shall refer to the compliance audit and/or review conducted by:

- a. Grid Management Committee (GMC), with respect to the Philippine Grid Code (PGC);
- b. Distribution Management Committee (DMC), with respect to the Philippine Distribution Code (PDC) and Philippine Small Grid Guidelines (PSGG);
- c. Philippine Electricity Market Corporation (PEMC), through its Enforcement and Compliance Office and Market Surveillance Committee (MSC), with respect to the compliance of generators with the Wholesale Electricity Spot Market (WESM) Rules and Market Manuals; and
- d. The DOE and the Energy Regulatory Commission (ERC), with respect to the issuances related to the generation sector.

## **2. Transmission System and Facilities**

The audit of Transmission System and Facilities shall refer to the compliance audit and/or review conducted by the following:

- a. GMC, with respect to the PGC;
- b. PEMC, through its MSC, with respect to the System Operator-related Market Intervention;
- c. PEM Audit Committee, with respect to the conduct of Metering Service Provider (MSP) Arrangement Review, in accordance with the WESM Rules and Market Manuals;
- d. National Transmission Corporation (TransCo) and Power Sector Assets and Liabilities Management Corporation (PSALM), with respect to the Concession Agreement with the Transmission Network Provider and System Operator; and
- e. The DOE and ERC, with respect to the issuances related to transmission sector

### 3. Distribution System and Facilities

The audit of Distribution System and Facilities shall refer to the compliance audit and/or review conducted by:

- a. DMC, with respect to the standards set under the PDC, PGC and PSGG;
- b. GMC, with respect to the standards set under the PGC;
- c. National Electrification Administration (NEA), with respect to the compliance of the EC's Financial and Management Audit, and Overall Performance Assessment under the issuances of the NEA;
- d. PEM Audit Committee, with respect to the conduct of MSP Arrangement Review in accordance with WESM Rules, Retail Rules and Market Manuals; and
- e. The DOE and ERC issuances related to distribution sector.

For further guidance, please refer to **Attachment 1**.

Furthermore, the DOE shall direct the prioritization of the Facilities and Systems to be audited, based on gathered reports, data and/or previous audits conducted by the Auditors.

## **V. CONDUCT OF AUDIT**

The Auditors shall continue to perform their audit activities in accordance with their respective mandates and procedures.

### **1. Off-site Activity**

The Auditee shall be informed of the audit and the name of the field auditors prior to the initiation of the audit and shall arrange a meeting to discuss the Audit Scope, Approach and Methodology of the Audit, to present the Auditors and to fix the schedule of the audit activities.

### **2. On-site/Field Inspection**

The Auditor, or its duly designated Third Party Entity, shall prepare the field audit methodology prior to the conduct of actual visit to the facilities.

The Auditor and the Auditee shall meet to review relevant documents and data, and ensure the security and safety of the audit personnel.

The Auditee shall designate competent personnel to assist the Auditor in the conduct of the site inspection.

### **3. Audit Report**

The Audit Report shall include but not limited to the following:

- i. Executive summary;
- ii. Audit Scope, Approach and Methodology;
- iii. Findings and Observations; and
- iv. Conclusions and Recommendations.

To achieve the objectives of the Performance Assessment and Audit, all audit reports shall be submitted to the DOE and ERC within seven (7) calendar days after the completion of the audit report.

The Auditor, shall at all times adhere to the existing ethical standards set for Auditors and the confidential nature of the Audit activities.



## **VI. PERFORMANCE ASSESSMENT**

The DOE, with the **Performance Assessment and Audit Task Forces (PAAT)**, created pursuant to **Section 3 of DOE DC No. 2017-05-0008**, shall review and evaluate all audit, assessment and/or monitoring reports submitted in accordance with this **Guidelines**. Furthermore, the DOE may commission a Third Party Entity to assist in the evaluation of the said reports.

The DOE, with the PAAT, may likewise coordinate with other government agencies, guided by the Table in **Attachment 2**, to ensure the effective and efficient operation of the Electric Power Industry Participants and ensure their compliance.

The Performance Assessment shall be conducted annually, unless otherwise directed by the DOE. The Performance Assessment shall be guided by the following:

### **1. Data Collection Process and Ethics**

Any reported information shall be supported by facts and evidence accompanied by analysis and recommendations. Additional information required by the DOE shall be provided by the stakeholder.

Furthermore, the DOE and the PAAT may opt to obtain other relevant data, documents, or conduct further on-site inspection necessary for the effective assessment of the reports.

### **2. Assessment Evaluation Output**

The DOE, with the PAAT, shall prepare its final recommendation to address assessment findings in order to attain the objectives of the energy-related laws, and may develop and formulate policies and programs recommendations for the Secretary's consideration.

## **VII. INCIDENTAL/SPECIAL AUDIT**

The DOE may, on its own, conduct an Incidental/Special Audit on the power generation, transmission and distribution systems and facilities or direct the ERC, NEA, PEMC, TransCo or PSALM, to conduct the same in any of the following cases:

1. When it is necessary to complete the Performance Assessment;

2. When there are significant incidents causing disruptions and power interruptions;
3. When there are emergency situations, caused by natural or human-induced calamities; and,
4. When the Secretary deems it appropriate to conduct a special audit.



**Attachment 1**

Activity	Responsible Entity	Reference	Frequency	Release of Report	Limit of Jurisdiction
<b>GENERATION</b>					
<b>Audit Reports</b>					
PGC Compliance Audit	ERC through GMC	PGC	Annually		GMC - Generating facilities with capacity of 20 MW and Above (excluding embedded)
PDC Compliance Audit	ERC through DMC	PDC	Annually		Embedded Generating Facilities
PSGG Compliance Audit	ERC through DMC	PSGG	Annually		DMC – off-grid generation facilities
Service Contract Audit	DOE				
<b>Monitoring Reports</b>					
Market Investigation Report	PEMC through ECO & MSC	WESM Rules and Manuals	Per incident		Investigation in accordance with WESM Rules
Power Supply Agreements And Resolution	ERC	Contract			
<b>TRANSMISSION</b>					
<b>Audit Reports</b>					
PGC Compliance Audit  e.g. PGC Compliance Report on Transmission, ASPA monitoring	ERC through GMC	PGC	Annual		
Compliance to Concession Agreement	PSALM and TransCo	Concession Agreement	Annual	Annual	
MSP Arrangement Review	PEM Audit Committee thru Third Party Auditor	WESM Rules and WESM Metering Manual	Annual	Annual	
<b>Monitoring Reports</b>					

Activity	Responsible Entity	Reference	Frequency	Release of Report	Limit of Jurisdiction
NEA's report on Compliance to PGC	NEA		As requested by ECs	As requested by ECs	
WESM Rules Compliance  e.g. Market Intervention Report-SO Related	WESM-MSD	WESM Rules and Manuals	Upon occurrence	Upon occurrence	
<b>DISTRIBUTION</b>					
<b>Audit Reports</b>					
PGC Compliance Audit	ERC through GMC and DMC	PGC	Annually	Ideally release of audit report 6 months upon on-site audit.  Current target is 3 months	PGC Compliance Audit
PDC Compliance Audit	ERC through DMC	PDC	Annually	Ideally release of audit report 6 months upon on-site audit.  Current target is 3 months	PDC Compliance Audit
PSGG Compliance Audit	ERC through DMC	PSGG	Annually		
Financial and Management Audit	NEA	NEA Audit Guideline			
Overall Performance Assessment	NEA				
<b>Monitoring Reports</b>					
MSP Arrangement Review	PEM Audit Committee	WESM Rules, , Retail Rules and Market Manuals, PGC and PDC			



**Attachment 2**

Area	Agency	Parameters
Plans	NEDA	Medium Term Plan
Resolutions, Policies, and Regulations	ERC, DOE	(pdc)
Governance	DOE	Best Practices
Corporate Social Responsibility	DOE	Best Practices
Safety and Security	DOLE (note: thru DMC, as available)	Occupational Safety and Health Standards
	BFP	Fire and Safety
	NDRRMC	Resiliency
	PHIVOLCS, PAGASA	Natural Calamities
	DND, DILG	Security
	CAAP	Height clearance, etc.
	LGU, DPWH, DILG	Electrical Code, Mechanical Code, Chemical Code, Building Code
	PCG, MARINA, PPA	Ocean and marine resources, Fuel hauling and handling
	International Association	International Standards
Mapping	NAMRIA, BCGS	Mapping
HRD	PRC	Continuing Professional Development
	DOLE	Compensation and Benefits, Labor relations (e.g. CBA)
	TESDA	Personnel Development,
Environment	DENR	Environmental Standards/Compliance Certificates
	NPC	Watershed
	NWRB, NIA, LUA	Water protocol
Financial	DOF	Taxation
	BOI	Incentives
	BOC	Importation
	SEC	Financial Reports
	NEDA	
	NEA	Loans
	TRANSCO	FIT
	PSALM	UC
Land use	HLURB, NEDA, LGU	
Communications	DICT, NTC	Frequency licensing and communication development
Business continuity plan	DOE	