



DEPARTMENT CIRCULAR NO. DC 2020-10 - 0022_m

**PRESCRIBING THE POLICIES TO ENHANCE THE NET-METERING
PROGRAM FOR RENEWABLE ENERGY SYSTEMS**

WHEREAS, Republic Act (RA) 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, RA 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 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, RA No. 9513, otherwise known as the "Renewable Energy Act of 2008" or the "RE Act," declares the policy of the State to accelerate the exploration and development of RE resources including hybrid systems, to achieve self-reliance, strategies to reduce the country's dependence on fossil fuels and thereby minimize the country's exposure to price fluctuations in the international markets, the effects of which spiral down to almost all sectors of the economy;

WHEREAS, the RE Act further 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 their efficient and cost-effective commercial application by providing fiscal and non-fiscal incentives;

WHEREAS, on 27 May 2013, the Energy Regulatory Commission (ERC) issued 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" pursuant to Section 10 of the RE Act and Section 7 of its Implementing Rules and Regulations;

WHEREAS, from 01 July 2013 to 31 December 2019, the Net-Metering Program recorded a cumulative total of 25 MW of Net-Metering facilities (from 3,132 Qualified End-Users) have been installed in the Philippines, wherein 62.6% of it are

located within the franchised area of one Distribution Utility (DU), equivalent to only 0.16% of the 2019 total non-coincident peak demand of 15,581 MW;

WHEREAS, despite the high potential of RE resources in the country, numerous economic and non-economic barriers under the current design of the Net-Metering Program have contributed to low level of participation from the electricity 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 energy produced or generated by Eligible RE Facilities under the Net-Metering Program are eligible to earn RE Certificates, which shall be credited as one of the mechanisms that the DUs may apply as part of their compliance with their obligations as Mandated Participants under the RPS On-Grid Rules;

WHEREAS, the DOE, in partnership with the United States Agency for International Development through the Clean Power Asia Program with expertise from the National Renewable Energy Laboratory, Lawrence Berkeley National Laboratory and Chulalongkorn University, conducted a study on the Net-Metering Program, composed of data-driven analysis on three key impacts, namely: customer economics; utility revenue and retail rate; and technical impact on the distribution grid;

WHEREAS, after the conduct of focus group discussions with various stakeholders, the study resulted in the publication of the *"Distributed Photovoltaic Economic and Technical Impact Analysis in Philippines,"* covering potential policy and regulatory revisions;

WHEREAS, on 16 August 2019, the ERC issued Resolution No. 06, Series of 2019 entitled *"Adopting the Amendments to the Rules Enabling the Net-Metering Program for Renewable Energy"* or the "Amended Net-Metering Rules" to address the issues on the applicability of the lifeline rates to Qualified End-Users and whether the mechanism of accumulating the credits of net exports on the customer bill is reasonable;

WHEREAS, while the Amended Net-Metering Rules addressed most of the economic and technical barriers of the current Net-Metering Program, the DOE deems it necessary to further enhance the current Net-Metering policies and commercial arrangements in order to increase the utilization of RE thru the Net-Metering Program;

WHEREAS, as part of securing the views, comments, and suggestions from the stakeholders on the draft Department Circular, entitled as *"Policies to Enhance the Net-Metering Program for Renewable Energy Systems and Other Mechanisms to Ensure Energy Security,"* the DOE conducted a series of public consultations on 08 October 2019 in Taguig City, Metro Manila, 10 October 2019 in Cebu City, and

24 October 2019 in Davao City, a dialogue with the ERC on 02 March 2020, and recently through the National Renewable Energy Board (NREB);

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 *"Prescribing the Policies to Enhance the Net-Metering Program for Renewable Energy Systems."*

Section 2. Purpose. This Circular aims to encourage and further promote electricity End-Users' participation in the Net-Metering Program by enhancing the current policies and commercial arrangements, while ensuring the economic and technical viability of the DU.

Section 3. Scope. This Circular prescribes the following policies and guidelines to provide complementary enhancements to the Net-Metering Program in support of ERC Resolution No. 06, Series of 2019:

- (a) Implementation of the period of one (1) year for the banking of Net-Metering credits for existing and new applications;
- (b) Application to Off-Grid or Island Grid Systems;
- (c) Publication of the DUs Net-Metering Program including their respective hosting capacities of Distribution Systems for Net-Metering purposes; and
- (d) Development of a Net-Metering Guidebook that aims to prescribe the guidelines and procedures for Net-Metering arrangements from offer to after-sales services by the Net-Metering installers and practitioners as well as prescribing the minimum standards for all Net-Metering installations, in collaboration with all concerned government agencies.

Section 4. Definition of Terms. This Circular hereby adopts, by reference, the terms defined in the EPIRA, RE Act, their respective implementing rules and regulations, the RPS On-Grid Rules, as well as the relevant DOE Department Circulars.

- (a) **"Banking Period"** refers to a period of time that a Qualified End-User may store the excess Net-Metering Credits it has accumulated over a certain period of time;
- (b) **"Net-Metering Credit"** refers to an amount of energy exported into the Distribution System by a Qualified End-User in excess, subject to the prescribed valuation of the exported energy;
- (c) **"Qualified End-User"** refers to electricity End-Users that produce electric power generated from an eligible on-site RE generating facility, such as, but not limited to, house or office building with a photovoltaic system that can be

connected to the Distribution System, for the purposes of entering into a Net-Metering agreement, as defined in Section 7 of the RE Act-IRR; and

- (d) **“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 amended accordingly.

Section 5. Threshold Capacity for Net-Metering Installations. Any Qualified End-User under the Net-Metering arrangement, under normal circumstances, shall not be a net generator or producer at the end of each calendar year. This is to avoid oversizing of the Net-Metering facility, where the annual electricity generation of the facility has exceeded the Qualified End-User's annual energy consumption.

Section 6. Banking of Net-Metering Credits. Upon effectivity of this Circular, all Net-Metering Credits shall be banked for a maximum of one (1) calendar year. Any excess or balance Net-Metering Credits at the end of each calendar year shall be forfeited. As to the Net-Metering Credits generated prior to the effectivity of this Circular, the ERC, in consultation with the DUs, shall issue the necessary rules on the disbursements of all outstanding peso credits to their respective Qualified End-Users within ninety (90) days from the effectivity of this Circular.

Section 7. Application to Off-Grids or Isolated Grid Systems. Subject to technical considerations in accordance with the Philippine Electrical Code, the Philippine Distribution Code, Distribution Services Open Access Rules, the Philippine Small Grid Guidelines, and the Amended Net-Metering Rules and its Interconnection Standards, the Net-Metering Program for End-User shall be allowed even in areas not connected to the three major national electrical transmission grids, namely: Luzon, Visayas and Mindanao.

The ERC, in consultation with the DOE, DUs, National Electrification Administration, and National Power Corporation, may issue the necessary amendments to the Net-Metering Interconnection Standards to facilitate the efficient and effective implementation of the Net-Metering Program to Off-Grid areas.

Section 8. Publication of Hosting Capacities for Net-Metering. The DUs shall publish in their website (or on any official social media platform), their respective Net-Metering programs, processes, and procedures, including hosting capacities on a per feeder or sector basis.

Section 9. Responsibility of the Local Government Units (LGUs). All LGUs are enjoined to strictly comply with the provisions of RA No. 11234 or the “Energy Virtual One Stop Shop Act” and RA No. 11032 or the “Ease of Doing Business and Efficient Government Service Delivery Act of 2018” in processing permits and licenses related to applications for Net-Metering arrangements such as, but not limited to Building Permit applications, Certification of Final Electrical Inspections, among others.

Section 10. Responsibilities of the National Electrification Administration (NEA). The NEA shall provide the necessary assistance in promoting the Net-Metering Program to all electric cooperatives (EC) nationwide, as well as other capacity building program such as technical assistance on Distribution Impact and Asset Studies and determination of the hosting capacity. Toward this end, the NEA and ECs shall include in their orientation/briefing for new applicant member-consumers the Net-Metering Program as well as other RE policies and programs under the RE Act.

Section 11. Development of Net-Metering Guidebook. To help electricity end-users in considering Net-Metering for RE, as well as ensuring safety and protection on any potential market abuses, a guidebook on procedures and standards (i.e. service offers, product standards, proper sizing, installation manual, after-sales requirements, etc.) shall be developed by the DOE which will be used by all stakeholders including suppliers, customers, Local Government Units, and financing institutions. Towards this end, the Renewable Energy Management Bureau shall prepare the Net Metering Guidebook, within six (6) months from the effectivity of this Circular.

Section 12. Prohibited Act. Pursuant to Section 35(b) of the RE Act, the willful refusal of a DU to undertake Net-Metering arrangements with Qualified End-Users without justifiable cause shall be subject to the administrative penalties therein provided.


Section 13. Other Provisions. Pursuant to Section 10 of the RE Act, the DOE, among others, is mandated to provide the mechanisms for the physical connection and commercial arrangements necessary to ensure the success of the Net-Metering program.

- (a) The ERC may adopt the Classical Net-Metering as described under Section 7 of the Implementing Rules and Regulations of the RE Act, whereby the electric power generated by a Qualified End-User from an eligible on-site RE generating facility and delivered to the local distribution grid may be used to offset the electricity consumed by the End-User during the applicable period.
- (b) All cost incurred by the host DU including metering, supply, and storage, shall be charged only to Qualified End-Users as Net-Metering charge, which amount shall be subject to determination and approval of the ERC;
- (c) The DOE and ERC shall review and evaluate the implementation of the Enhanced Net-Metering Program every two (2) years or as the need arises, from the effectivity of this Circular, to ensure that the Net-Metering Program redounds to the greater benefit of all electricity End-Users and the objectives of the RE Act are met.

Section 14. 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 15. Repealing Clause. Any prior issuances, orders or circulars inconsistent with this Circular are hereby repealed, amended or modified accordingly.

Section 16. 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.



OCT 22 2020