



Republic of the Philippines
DEPARTMENT OF ENERGY
(Kagawaran ng Enerhiya)

DEPARTMENT CIRCULAR NO. DC 2021-03-0003 /

**PRESCRIBING THE POLICY AND GUIDELINES FOR THE FORMULATION OF
THE DISTRIBUTION UTILITIES DISTRIBUTION DEVELOPMENT PLAN
INTEGRATING THE RELEVANT LAWS, POLICY ISSUANCES, RULES AND
REGULATIONS**

WHEREAS, Section 5(a) of the Republic Act (RA) No. 7638, otherwise known as the *Department of Energy (DOE) Act of 1992*, mandates the DOE to formulate policies for the planning and implementation of a 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;

WHEREAS, Section 2(b) of RA No. 9136, otherwise known as the *Electric Power Industry Reform Act of 2001* (EPIRA), declares the policy of the State to ensure the quality, reliability, security and affordability of the supply of electric power;

WHEREAS, under the EPIRA, the DOE in line with its mandate to supervise the restructuring of the electric power industry, has the responsibility to prepare and update annually a Power Development Plan (PDP) which shall consider and integrate the individual or joint development plans of the transmission, generation and distribution sectors of the electric power industry;

WHEREAS, Section 23 of the EPIRA, required Distribution Utilities (DUs) to prepare and submit to the DOE their annual Distribution Development Plans (DDP) and in the case of Electric Cooperatives (ECs), to submit such plans to the DOE through the National Electrification Administration (NEA);

WHEREAS, pursuant to its mandate, the DOE issued Department Circular (DC) No. DC2004-02-002, prescribing the guidelines for the formulation of a five-year DDP;

WHEREAS, DOE DC No. DC2010-03-0003 directs all DUs to regularly submit its DDP for monitoring of the existing, available and future supply requirements and private DUs' Monthly Operations Report and Monthly Financial and Statistical Report for ECs;

WHEREAS, there is a necessity to enhance the current DDP format of mandated entities to respond to the continuous evolution in the regulation of the energy sector, and to integrate and consolidate the following relevant policies, laws, rules, and regulations into a single, uniform, detailed and comprehensive DDP format:

- a) DC No. DC2018-02-0003 prescribing the policy for the Competitive Selection Process (CSP) in the procurement by the DUs of Power Supply Agreement (PSA) for the captive market;
- b) Section 4 of DC2018-02-0003 also mandates each DU to annually develop and submit to the DOE its DDP which contains the Power Supply Procurement Plan (PSPP);
- c) DC No. DC2012-05-0005 prescribing the general policies for the implementation of the Retail Competition and Open Access (RCOA) and DC2015-06-0010 providing the policies to facilitate the full implementation of RCOA in the Philippine electric power industry;
- d) DC No. DC2017-12-0013 providing the policies for the voluntary participation of contestable customers with average peak demand of 750 kW and 500 kW to 749 kW in the retail market, including voluntary demand aggregation;
- e) DC No. DC2019-01-0001 prescribing the omnibus guidelines on enhancing off-grid power development and operation to incorporate and interrelate all existing and new policies and strategies for achieving quality, reliability, affordability, security, stability, efficiency, and accountability of electric power services in off-grid areas;
- f) DC No. DC2019-11-0015 promulgating the guidelines and procedures for the qualification and participation of Qualified Third Parties (QTP) in QTP Service Areas;
- g) DC No. DC2020-02-0003 mandating the DUs to comply with the levelling structure, in accordance with the National Smart Distribution Utility Roadmap (SDUR), provided that the DUs shall complete the initial levels first before venturing into the succeeding levels;
- h) Section 6.4.2 of DC No. DC2020-02-0003 also mandates the DUs to incorporate all the proposed Smart Grid projects, in accordance with the SDUR, in the annual update of their respective DDPs;
- i) RA No. 10531 or the *NEA Reform Act of 2013* which promotes the sustainable development in the rural areas through total electrification, empower and strengthen NEA to pursue the electrification program, and empower and enable ECs to cope with the changes brought about by the restructuring of the electric power industry;
- j) RA No. 10531 also mandates the NEA to require the submission of reportorial requirements relative to the operations of ECs including, among others, the annual DDP;
- k) RA No. 9513 or the *Renewable Energy (RE) Act of 2008* which aims to accelerate the exploration and development of RE resources such as, but not limited to, biomass, solar, wind, hydro, geothermal and ocean energy sources, including hybrid systems, to achieve energy self-reliance, through the adoption of sustainable energy development 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 and that DUs, shall include the required connection facilities for RE-based power facilities in their DDPs;

- l) RA No. 9513 likewise aims to develop the Renewable Portfolio Standards (RPS), both for grid and off-grid, Net Metering, and the Green Energy Option Program (GEOP) all of which aim to increase the utilization of RE in the country;
- m) DC No. DC2017-12-0015 which mandates the grid-connected electric power industry participants, to source a specified portion of their electricity requirement from eligible RE resources in order to develop indigenous and environment friendly energy resources;
- n) DC No. DC2018-07-0019 referred to as the GEOP Rules setting the general rules and procedures to properly guide the End-Users, RE suppliers and Network Service Providers, in facilitating the option taken by the End-Users to choose RE Resources as sources of their energy;
- o) DC No. DC2018-08-0024 which aims to contribute to the growth of the RE industry in the off-grid and missionary areas and rationalize the efficient use of Universal Charge on Missionary Electrification and improve self-efficiency in power generation through integration of RE in the supply mix in off-grid area;
- p) RA No. 11285 or the *Energy Efficiency and Conservation Act* which aims to establish a framework for introducing and institutionalizing fundamental policies on energy efficiency and conservation, including the promotion of efficient and judicious utilization of energy efficient and RE technologies and the delineation of responsibilities among various government agencies and private entities;
- q) Section 24 of RA No. 11285 also provides the pursuance of a Demand Side Management (DSM) program for the electric power industry for the reduction of energy consumption through effective load management resulting to the decrease of power demand and the migration of power demand from peak to off-peak periods or such measures undertaken by DUs to encourage end-users to properly manage their loads to achieve efficiency in the utilization of fixed infrastructures in the systems;
- r) DC No. 2019-11-0014 adopting and promulgating the implementing rules and regulations of RA No. 11285 recognizing DSM program or such measures undertaken by DUs to encourage end-users to properly manage their loads to achieve efficiency in the utilization of fixed infrastructures in the systems; and
- s) The Department shall evaluate the mandated entities' compliance and submission of their respective DDPs, among others, to determine whether to recommend before the Congress the renewal or the revocation of the franchise or privilege granted to the DU, pursuant to Section 46 of the EPIRA.

NOW, THEREFORE, in consideration of the foregoing, the DOE hereby issues and promulgates the following guidelines in the formulation of the DDP, to ensure that the planning of DUs and other Mandated Entities is responsive to the developments in the electric power industry:

SECTION 1. Guiding Principles. In compliance with the relevant laws, policies, rules and regulations, the DUs and other entities mandated to submit DDP shall prepare their individual DDP with utmost diligence and accuracy, to the end of providing secure, reliable and efficient power service delivery to their customers and end-users at all times. The formulation, review, evaluation and finalization of the DDP shall be governed by the following principles:

- 1.1 Enhancement in the annual updating of the consolidated DDP which is a critical input in the overall economic and energy development planning at the national and local levels, being integrated in the PDP, Philippine Energy Plan, and the Philippine Economic Development Plan.
- 1.2 Institutionalization of a consultative process between the DUs and other Mandated Entities, the concerned Local Government Units (LGUs), relevant government agencies and the business sector within the franchise area of such DU and other Mandated Entity, the harmonization of their respective plans and programs, and the integration of the local economic plans and investments into the DDP which shall be crucial in the determination of power demand and energy forecasts, and power distribution infrastructure expansion requirements.
- 1.3 Encouragement for the entry of investments in the economic and the energy sectors of the concerned DU's and other Mandated Entity's franchise area.
- 1.4 Promotion of accountability of the DU and other Mandated Entity by ensuring that the quality, accuracy, correctness and consistency of the DDPs submitted to the DOE shall be reflective with the performance indicators and ratings of the DUs and other Mandated Entities. The same principle shall be applied to the concerned agencies responsible to review, evaluate and approve the plans, programs and projects of the DUs and other Mandated Entities.
 - 1.4.1 The correctness and accuracy of the DDP and its timely submission by the ECs to NEA shall form part as a parameter on ECs' Key Performance Indicators; and
 - 1.4.2 The quality of the DDP and the timely submission of National Electric Cooperatives Distribution Development Plan (NECDDP) to DOE shall form part of the NEA's Corporate Governance Scorecard to be submitted to the Governance Commission for Government Owned and Controlled Corporations (GCG).
- 1.5 Responsiveness of the DDP to all policy developments and integration thereto of all recent relevant laws, policies, rules and regulations governing the distribution system.

SECTION 2. Scope of Application. This policy shall apply to any entity that owns, operates, and/or controls one or more distribution systems, such as:

- 2.1 Electric Cooperatives;
- 2.2 Privately-Owned Distribution Utilities;
- 2.3 Local Government Unit Owned-and-Operated Distribution Systems;
- 2.4 Duly authorized entities to operate within the economic zones; and
- 2.5 All other duly authorized entities engaged in the distribution of electricity.

Distribution Utility refers to any electric cooperative, private corporation, government-owned utility or existing local government unit which has an exclusive franchise area to operate a distribution system.

Item 2.5 above shall be referred to as "other Mandated Entities" in this Circular for brevity.

As there is an intended policy to require QTPs to submit DDP, thus the inclusion of the category on mandated participants. QTPs will be under Item 2.5.

SECTION 3. General Guidelines in the drafting of the DDP. The formulation of the DDP shall take into account the following:

- 3.1 General profile and information of the entity;
- 3.2 Historical performance and forecasts of demand and energy requirement;
- 3.3 Power Supply Procurement Plan of DUs and other Mandated Entities on their power supply requirements not covered by their existing PSAs;
- 3.4 Distribution facilities resilient to natural and man-made hazards therefore ensuring continuous delivery of electric power to its captive customers;
- 3.5 Distribution facilities geared towards smart grid system to improve reliability, efficiency and flexibility.
- 3.6 Distinctions between their captive and contestable customers, and its future evolution;
- 3.7 Provision of universal service within a DU's and other Mandated Entity's franchise area over a reasonable time, including unviable areas, as part of their social obligations;
- 3.8 Development of RE and other emerging technologies in the electric power industry and relevant policy issuances on RE, including compliance to the RPS Policies;
- 3.9 Provision for energy efficiency and conservation and the pursuance of a DSM;
- 3.10 Collaboration of DUs and other Mandated Entities in off-grid areas and National Power Corporation (NPC) in harmonizing the DDP and Missionary Electrification Plan, particularly in the provision of adequate power supply; and
- 3.11 Ensure consistency of the final DDP submission to DOE and Energy Regulatory Commission (ERC).

SECTION 4. Contents of the DDP. All DUs and other Mandated Entities must conform with the DDP Form, which contains different Modules, and the corresponding Manual, as indicated, respectively, in **Annexes "A"** and **"B"** which shall form as integral parts of this Circular. The DDP must manifest the following details and information:

- 4.1 **General Information.** This section consists of the profile of the DU and other Mandated Entity, and the general information on captive connections, including the customers being served by the DU and other Mandated Entity outside its franchise area and through Sale for Resale Agreements, GEOP, Net Metering and contestable customers served by Retail Electricity Suppliers (RES).
- 4.2 **Energy and Demand.** Accurate forecasting of the energy and demand requirement is vital for the procurement of power supply mix for the captive

customers and for the effective and correct identification of CAPEX projects that need to be constructed in a timely manner. These activities require processing and construction lead time, respectively, to meet the growing and dynamic needs of captive customers.

4.3 Network and non-network Assets. This portion of the DDP shall present a summary of the technical and economic analyses in the expansion, upgrading, and rehabilitation of the distribution system including acquisition of assets to address existing and potential deficiencies in the distribution system which are necessary to ensure that distribution services are safely, continuously and reliably provided to customers. This should include the identification and timing of the following:

- 4.3.1 Acquisition and expansion of sub-transmission and distribution facilities;
- 4.3.2 Replacement and rehabilitation of sub-transmission and distribution facilities;
- 4.3.3 Additional, upgrading or retirement of distribution substation;
- 4.3.4 Substation and distribution Reactive Power Compensation Plan;
- 4.3.5 Electrification projects; and
- 4.3.6 Other network and non-network assets.

4.4 Power Supply Contracts. This portion shall consist of all the power supply agreement/s entered into by the DUs and other Mandated Entities with Generation Companies (GenCos).

4.5 Power Supply Procurement Plan. This portion refers to the plans for the acquisition of a variety of demand-side and supply-side resources to cost-effectively cover the electricity needs of its customers that are not covered by a PSA procured through CSP. It shall also determine the CSP activities to be undertaken by the DUs and other Mandated Entities to ensure continuous provision of electricity supply to their consumers in the least-cost manner. As such, to come-up with a sound PSPP, the DUs and other Mandated Entities shall undertake a cost-benefit analysis of the power supply requirements taking into consideration the prevailing cost or price in the market, energy demand forecasting, power system, load matrix and energy mix, among others.

4.6 Electrification. This section requires the information on the current household electrification situation and the information on all electrification activities planned to be undertaken. It shall also contain information on all government-subsidized projects with leading funding source and percent level of completion.

4.7 Strategies and/or approaches to comply with the RPS requirements and to attain a resilient and smart distribution system. These components shall identify and describe the strategies and/or approaches that will guide the DUs and other Mandated Entities in their operation to achieve this objective.

The DOE may require other and/or further supporting information, as maybe required in the existing and future laws, rules and regulations.

SECTION 5. Procedures in the Preparation and Submission of the DDP. DUs and other Mandated Entities shall comply with the following procedures in the preparation and submission of the DDP:

5.1 Preparation of the DDP.

All DUs and other Mandated Entities shall adopt the following documents and procedures:

- 5.1.1 The DU and other Mandated Entity must fill up the **Distribution Development Plan Form (DOE-EPIMB DDP Form 2021-01-001)**. See **Annex A** attached in this Circular.
- 5.1.2 The instructions for filling-up the **DOE-EPIMB DDP Form 2021-01-001**, is outlined in **Annex B**.
- 5.1.3 The crafting of the DDP must take into account all the applicable provisions prescribed in the Philippine Distribution Code and other appropriate laws, policies and regulations.
- 5.1.4 Planned developments shall include the entry of large loads, electrification, technical upgrading and rehabilitation of distribution lines availed under the Energy Regulations No. 1-94 or from other government subsidies and grants, infrastructure facilities servicing the needs of the public and other projected economic growth within the franchise area of the DU and other Mandated Entity.
- 5.1.5 The generated output of the DOE-EPIMB DDP Form 2021-01-001 shall be supplemented by a narrative report containing a brief evaluation and analysis on the implementation or accomplishments relative to the targets as stipulated in the DDP submitted in the previous year. The report shall include the following data:
 - 5.1.5.1 Demand and energy forecasts vis-à-vis actual demand and energy levels;
 - 5.1.5.2 CAPEX Program targets vis-à-vis actual accomplishments or implementation;
 - 5.1.5.3 Details of PSAs, highlighting the cooperation period, including the amendments thereto, if any;
 - 5.1.5.4 Updates or results of the capacity and energy proposed for CSP or of the CSP proceedings, if any;
 - 5.1.5.5 Updates or accomplishments on total electrification; and
 - 5.1.5.6 Other information pertinent to this enumeration.
- 5.1.6 DUs and other Mandated Entities shall submit an electronic copy of their respective final DDPs to the DOE and NEA, in the case of ECs.

5.2 Timeline of Submission of the DOE-EPIMB DDP Form 2021-01-001.

Pursuant to the purpose of assisting the DUs and other Mandated Entities in preparing and ensuring that DDP submissions is in accordance with the timelines set forth in the EPIRA, the following schedules shall be observed:

- 5.2.1 Every twenty-fifth (25th) of January of each year, the DUs and other Mandated Entities, except ECs, shall submit the electronic copy of the DDP to the DOE. In the case of ECs, these shall be submitted to the NEA, copy furnished the DOE.

Within twenty (20) days period upon receipt of the DDPs of the DUs and other Mandated Entities, the DOE, or the NEA in the case of ECs, shall notify the reporting DU and other Mandated Entity if the submitted DDP is in compliance with this Circular.

- 5.2.2 The DUs and other Mandated Entities shall submit an electronic copy of the final annual ten-year DDP, reflecting the changes based on the comments and recommendations of the DOE and the NEA in case of ECs, not later than the fifteenth (15th) of March of each year to the DOE.

- 5.2.3 In the case of ECs, the NEA shall submit the NECDDP to the DOE every fifteenth (15th) of March of each year.

SECTION 6. Responsibilities of the Department of Energy.

The DOE shall have the following responsibilities:

- 6.1 Oversee the compliance of the DUs and other Mandated Entities in the preparation and submission of their respective annual DDPs;
- 6.2 Integrate the submitted DDPs and determine the quality, correctness, accuracy and consistency of the information and data contained in the DDP;
- 6.3 Endorse for ERC's appropriate action the non-submission of the final DDP on the timelines set in this Circular; and
- 6.4 Recommend to the Congress and other relevant authorities for appropriate action the entities non-complying with their mandates and responsibilities pursuant to this Circular.

SECTION 7. Responsibilities of the National Electrification Administration.

Pursuant to its mandate under the EPIRA, the NEA shall assist all ECs in the preparation and ensure submission of respective annual DDPs. Specifically, the NEA shall have the following responsibilities:

- 7.1 Ensure the complete and timely submission of DDPs of all ECs.
- 7.2 Evaluate the DDPs submitted and shall ensure the good quality of the information and data contained in the DDPs.

- 7.3 Submit a consolidated report of the respective DDPs of ECs, to be incorporated as the NECDDP, every fifteenth (15th) of March of every year as mandated by Section 4(p) Rule 7 of the EPIRA-Implementing Rules and Regulations.

The NEA shall comply with the provisions of this Circular in its preparation and submission of the NECDDP to the DOE, together with a consolidated analysis of ECs' DDP.

SECTION 8. Responsibilities of the DUs and other Mandated Entities. All entities engaged in the distribution of electric power shall have the following responsibilities:

- 8.1 Submit an annual DDP in accordance to the provisions of this Circular.
- 8.2 Assign a focal person and an alternate focal person/s to ensure that the DDP submitted is consistent, accurate and complete as prescribed in this Circular. The focal person and its alternate shall be responsible to respond to the queries of DOE and NEA on the DDP submissions.

Each DU or other Mandated Entity shall institutionalize a succession program of the focal persons that will ensure the continuity of the preparation of its DDP.

- 8.3 For the purpose of posting in the DOE CSP E-based Portal, the DUs and other Mandated Entities shall ensure that the PSPP is consistent with the DDP.
- 8.4 In support of the DDP, the DU and other Mandated Entity shall likewise include in their annual submission the following documentary requirements:
- 8.4.1 Board Resolution or Secretary's Certificate or any equivalent approving the DDP;
 - 8.4.2 System Map which contains among others, primary lines, power transformers, substations, embedded generators, and connection points to the grid (for grid connected DUs), with proper legend;
 - 8.4.3 Single Line Diagram;
 - 8.4.4 Electrification Plans and Programs;
 - 8.4.5 Updates on SDUR;
 - 8.4.6 PSA/s, including amendments, if any;
 - 8.4.7 Certificate of Franchise or its equivalent;
 - 8.4.8 Certificate of Public Convenience and Necessity;
 - 8.4.9 Net-metering Contracts; and
 - 8.4.10 Other documents as maybe required by the DOE.

Items 8.4.1 to 8.4.5 will be submitted annually together with the updated DDP while items 8.4.6 to 8.4.9 shall only be submitted once, or when there are changes or developments relative to these matters.

SECTION 9. Responsibilities of Other Electric Power Industry Participants and Stakeholders. All GenCos, RES and other electric power stakeholders, including other National Government Agencies, LGUs, private developers, businesses and other stakeholders, are encouraged to provide the DUs and other Mandated Entities any information requested and involvement in the local development planning which

are necessary for the preparation of the DDP to ensure continuous and reliable power supply in the franchised area.

SECTION 10. Monitoring, Enforcement and Compliance. The DOE shall monitor the compliance of all DUs and other Mandated Entities, and shall recommend to the ERC of any entity which fails to comply with the provisions of this Circular, in substance and form, for appropriate sanctions, penalties, and fines, among others, pursuant to Section 46 of the EPIRA. The DOE shall likewise report to GCG the NEA's non-compliance with the timely submission of correct and accurate NECDDP to DOE.

Non-compliance by the DUs and other Mandated Entities with the provisions of this Circular shall serve as a basis, among others, for the DOE's review and recommendation for the renewal or revocation of the DU's and other Mandated Entity's franchise or privilege.

SECTION 11. Regulatory Support. The ERC and GCG shall support the enforcement of this Circular, and shall impose the appropriate sanctions, penalties, and fines when found guilty of any violation after the conduct of proper proceedings. Likewise, the ERC, in the exercise of its functions under the EPIRA, shall use the DDP as reference for the review and approval of the PSAs and Capital Expenditures application of DUs and other Mandated Entities.

The DOE shall recommend to the ERC the issuance of a possible show-cause order to DUs and other Mandated Entities for non-compliance of the provision of this Circular.

SECTION 12. Repealing Clause. Upon the effectivity of this Circular, DOE DC No. DC2004-02-002 is repealed. All other issuances inconsistent with this Circular are hereby amended, modified or repealed accordingly.

SECTION 13. Separability Clause. If for any reason any section of this Circular is declared unconstitutional or invalid, such parts not affected shall remain in full force and effect.

SECTION 14. Effectivity. This Circular shall take effect fifteen (15) days upon its complete publication in at least two (2) newspapers of general circulation. Copies thereof shall be filed with the University of the Philippines Law Center – Office of National Administrative Register (UPLC-ONAR).

Signed this _____ day of _____ 2020 at DOE, Energy Center, Rizal Drive, Bonifacio Global City, Taguig City, Metro Manila.


ALFONSO G. CUSI
Secretary

MAR 02 2021



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