



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

DEPARTMENT CIRCULAR NO. DC2022- 09 - 0030

**PRESCRIBING THE ADJUSTED ANNUAL PERCENTAGE INCREMENT
TO BE IMPOSED ON ALL MANDATED PARTICIPANTS OF THE
RENEWABLE PORTFOLIO STANDARDS FOR ON-GRID AREAS**

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 the 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 as a policy of the State to, among others, ensure the quality, reliability, security and affordability of the supply of electric power;

WHEREAS, Section 37, Chapter III of EPIRA mandates the DOE to encourage private sector investments in the electricity sector and promote the development of indigenous and renewable energy (RE) resources;

WHEREAS, RA No. 9513, otherwise known as the "*Renewable Energy Act of 2008*" or the "*RE Act*," declares as a 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, Section 6 of the RE Act states that all stakeholders in the electric power industry shall contribute to the growth of the RE industry of the country. Towards this end, the National Renewable Energy Board (NREB) shall set the minimum percentage of generation from eligible RE resources and determine to which sector the Renewable Portfolio Standards (RPS) shall be imposed on a per grid basis;

WHEREAS, Section 4(c), Paragraph (2), of the Implementing Rules and Regulations (IRR) of the RE Act, states that the DOE shall, upon the recommendation of the NREB, formulate and promulgate the RPS Rules which shall include, among others, the annual minimum percentage increment required to be sourced from eligible RE resources and which shall, in no case, be less than one percent (1%) of its annual energy demand over the next ten (10) years;

WHEREAS, the DOE promulgated Department Circular (DC) No. DC2017-12-0015 also known as the "*RPS Rules for On-Grid Areas*" or the "*RPS On-Grid Rules*," on 22 December 2017 and became effective on 31 December 2017, which placed upon the Mandated Participants (MPs) the obligation to source or produce a minimum RE percentage of their electricity requirements from eligible RE resources;

WHEREAS, Section 7 of the RPS On-Grid Rules has set an aspirational target of attaining 35% share of the RE in the generation mix by 2030, subject to regular review and assessment by the DOE;

WHEREAS, Section 7 of the RPS On-Grid Rules also defines the Minimum Annual Incremental RE percentage (K_m) as the incremental RPS percentage initially set by the NREB at one percent (1%) at year m for MPs in Luzon, Visayas and Mindanao, subject to annual review, such that the target RE share will be achieved (K is not constant), which is expressed in the following formula:

$$RPS_{(n)} = ES_{(n-1)} * \sum_{m=0}^n K_m$$

Where:

- m = Year 0 to n , excluding the Transition Period
- n = the Year of the RPS requirement starting at Year 1 and excluding Transition Period
- $RPS_{(n)}$ = RPS for the Year n for each MP starting at Year 1 (in MWh, rounded down to the nearest MWh)
- K_0 = the percentage of total energy sales from plants under the Feed-in Tariff System to the total energy sales of all MPs at Year 0
- K_m = Minimum Annual Incremental RE Percentage for all MPs at year m
- $ES_{(n-1)}$ = Net Electricity Sales in previous Year for each MP (in MWh, rounded down to the nearest MWh). For avoidance of doubt, $ES_{(n-1)}$ at Year 1 shall be the Net Electricity Sales of Year 0

WHEREAS, Section 9(b) of the RPS On-Grid Rules provides that the K_m shall be adjusted by the DOE, in coordination with the NREB, when the prevailing percentage is deemed insufficient to attain the target RE share;

WHEREAS, the NREB in its proposed 2021-2040 National Renewable Energy Program (NREP), recommended the increase of K_m from the initial one percent (1%) to 2.52% starting 2023, to meet the aspirational target of at least 35% in the total power generation mix by 2030 and more than 50% by 2040;

WHEREAS, the RPS Composite Team (RPSCT), through its Resolution No. RPSCT2021-08-27-001, resolved to approve the conduct of public consultation on the proposed upward adjustment of the K_m from 1% to 2.52% to be imposed on all MPs under the RPS On-Grid Rules for planning period 2023-2040, as recommended by the NREB.

NOW, THEREFORE, in consideration of the foregoing, the DOE hereby issues and promulgates the adoption of the adjusted K_m .

Section 1. Title. This Circular shall be known as “Prescribing the Adjusted Annual Incremental RE Percentage (K_m) under the RPS On-Grid Rules” and shall hereinafter be referred to as the “Adjusted K_m .”

Section 2. Adjustments in the Annual Increments. The adoption of the Adjusted K_m of 2.52% starting 2023 is necessary to meet the aspirational target of more than 50% RE share in the country’s power generation mix by 2040 expressed in MWh, subject to Section 5 of this Circular:

Year	K_0	K_m	Minimum RPS Requirement ($K_0 + K_m$)	Target RE Share
2020	3.34%	1.00%	4.34%	21.24%
2021	3.34%	2.00%	5.34%	20.12%
2022	3.34%	3.00%	6.34%	20.49%
2023	3.34%	5.52%	8.86%	21.87%
2024	3.34%	8.04%	11.38%	23.28%
2025	3.34%	10.56%	13.90%	24.73%
2026	3.34%	13.08%	16.42%	26.24%
2027	3.34%	15.60%	18.94%	27.78%
2028	3.34%	18.12%	21.46%	29.37%
2029	3.34%	20.64%	23.98%	30.98%
2030	3.34%	23.16%	26.50%	32.62%
x x x	x x x	x x x	x x x	x x x
2040	3.34%	48.36%	51.70%	51.48%

Note: This table is based on current simulations, but may change or vary depending on the annual assessment of the RPSCT as to the RPS compliance levels, Net Electricity Sales of MPs, and meeting the aspirational target of more than 50% RE share in the power generation mix by 2040. The RE share for Year 2020 is based on DOE 2020 Power Statistics.

Section 3. Coverage. This Circular shall apply to all MPs under the RPS Rules for On-Grid Areas only.

Section 4. Definition of Terms. This Circular hereby adopts, by reference, the terms defined in the RE Act and its IRR, the RPS On-Grid Rules, RE Market Rules, as well as relevant DOE Department Circulars.

Section 5. Annual Review. As provided under Section 14 of the RPS On-Grid Rules, the DOE, in coordination with the NREB and in consultation with the stakeholders, shall review and set the K_m for each succeeding year ($m+1$) no later than the 30th of September of each year in consideration of the existence of service contracts and change in criteria of eligible RE facilities, among others.

The Adjusted K_m shall be included as an integral part of Distribution Utilities' (DUs) Distribution Development Plan (DDP), and shall form part of the NREP, the Power Development Plan, and the Philippine Energy Plan.

Towards this end, the RPSCT may, based on the actual state of RE development, particularly on the share of RE in the power generation mix and subject to technical and economic considerations, recommend the necessary adjustments (upward/downward) in the annual increment for RPS compliance.

Section 6. Mandated Participants with Full Contracted Capacity and Energy. Any MP, whose compliance with their RPS requirements shall result to over contracting of power supply contracts, may apply for a provisional exemption from the DOE through the RPSCT, in accordance with Section 25 of the RPS On-Grid Rules.

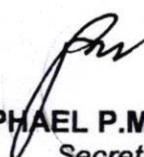
The RPSCT shall evaluate and recommend to the DOE Secretary any provisional exemption, upon validation and verification of the power supply agreements entered by the MPs and other relevant data and information such as the DDP, RPS Compliance Plan and status of power supply agreements filed before the Energy Regulatory Commission.

All power supply contracts to be entered into by the MPs, particularly the DUs, after the promulgation of the RPS On-Grid Rules, shall consider the RPS annual increments and timelines prescribed in this Circular. Any MP which fails to comply with this provision shall be deemed non-compliant and may be meted the corresponding administrative and criminal sanctions under Sections 23 and 24 of the RPS On-Grid Rules, in accordance with due process requirements.

Section 7. Separability. If any provision in this Circular is declared invalid or unconstitutional, the other provisions not affected thereby shall remain valid and subsisting.

Section 8. Repealing Clause. The provisions of other circulars, orders, issuances, rules, and regulations, which are inconsistent with the provisions of this Circular are hereby repealed, amended, superseded, or modified accordingly.

Section 9. Effectivity. This Circular shall take effect fifteen (15) days after publication in 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.


RAPHAEL P.M. LOTILLA
Secretary

SEP 23 2022

Issued on _____, at Energy Center, Rizal Drive
Bonifacio Global City, Taguig City.