



DEPARTMENT CIRCULAR NO. DC2025-10-0022

**PRESCRIBING POLICIES TO ENHANCE THE PROCUREMENT OF POWER
SUPPLY BY DISTRIBUTION UTILITIES FOR THE CAPTIVE MARKET,
AMENDING AND SUPPLEMENTING FOR THIS PURPOSE DEPARTMENT
CIRCULAR NO. DC2023-06-0021**

WHEREAS, Republic Act (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 to reduce dependence on imported energy;

WHEREAS, Section 2(f) of the EPIRA further declares that it is also the policy of the State to protect the public interest as it affected by the rates and services of electric utilities and other providers of electric power, while Section 23, paragraph 3 thereof provides that Distribution Utilities (DUs) shall supply electricity in the least cost manner to their Captive Market;

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 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;

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 22 December 2017, the Department of Energy (DOE) issued Department Circular (DC) No. DC2017-12-0015, as amended, implementing the Renewable Portfolio Standards (RPS) for On-Grid areas;

WHEREAS, the DOE issued DC No. DC2021-03-0003, providing the guidelines in the formulation of the Distribution Development Plan (DDP), which serves as a reference by the Energy Regulatory Commission (ERC) in the review and approval of Power Supply Agreements (PSAs) and Capital Expenditures application of DUs;

WHEREAS, on 30 June 2023, the DOE issued DC No. DC2023-06-0021, entitled "*Prescribing the Policy for the Mandatory Conduct of the Competitive Selection Process by the Distribution Utilities for the Procurement of Power Supply for their Captive Market*";

WHEREAS, the ERC issued Resolution No. 16, Series of 2023, prescribing the implementing guidelines of DC No. DC2023-06-0021;

WHEREAS, the National Electrification Administration (NEA) issued Memorandum No. 2023-57 to all Electric Cooperatives (ECs) providing the NEA's Competitive Selection Process (CSP) guidelines implementing the DOE's DC No. DC2023-06-0021 and the ERC's Resolution No. 16, Series of 2023; and

WHEREAS, on 13 May 2025, the DOE conducted public consultation through Microsoft Teams and Facebook Live on the proposed amendments to DC No. DC2023-06-0021 to enhance the power supply contracting of DUs from indigenous energy resources, thereby increasing the utilization of indigenous energy resources.

NOW, THEREFORE, in consideration of the foregoing, the DOE hereby issues and promulgates the following amendatory and supplementary policies and mechanisms in the CSP policy:

Section 1. Objectives. – This Circular aims to:

- (A) Prioritize the development and utilization of RE for power generation projects;
- (B) Further provide an efficient avenue for the offtake of RE projects;
- (C) Strengthen grid infrastructure and flexibility to accommodate increased integration of variable RE sources;
- (D) Promote research, development, and adoption of emerging RE technologies and energy storage systems to enhance system reliability and long-term sustainability; and
- (E) Strengthen the CSP and complementary mechanisms to further ensure efficient, timely, transparent, and least-cost procurement of power supply to the captive market.

Section 2. Section 1 (*Governing Principles*) of DC No. DC2023-06-0021 is hereby amended and shall read as follows:

"SECTION 1. GOVERNING PRINCIPLES

The procurement by DUs of power supply for the Captive Market shall be governed by the following principles:

- 1.1. xxx
- 1.2. xxx
- 1.3. xxx

- 1.4. xxx
- 1.5. xxx
- 1.6. Pursue energy transition to clean energy in accordance with the targets set forth under the Philippine Energy Plan; and
- 1.7. Protect the interest of the general public, especially on the rates and services of electric utilities and other providers of electric power.”

Section 3. Section 2 (*Coverage and Exceptions*) of DC No. DC2023-06-0021 is hereby amended to read as follows:

“SECTION 2. COVERAGE AND EXCEPTIONS

- 2.1. xxx
- 2.2. xxx
- 2.3. In the following instances, the conduct of CSP shall not be required:
 - 2.3.1. xxx
 - 2.3.2. xxx
 - 2.3.3. xxx
 - 2.3.4. Supply to any DU's captive market from Covered RE Facilities, wherein the contracted capacity shall not exceed 10 MW per DU. Supply contracts pursuant to this provision may be directly filed with the ERC for approval.

“Covered RE Facilities” shall refer to existing or prospective embedded or grid-connected RE power plants located within the franchise area of a DU, whether partly or in whole.
 - 2.3.5. Procurement by a DU of supply for its captive market exceeding 10 MW from a Covered RE Facility pursuant to the exercise of its Right of First Refusal (ROFR) under Section 4 of this Circular; Provided, That this exemption shall only apply if: (a) the procurement is for the DU's compliance with the annual RPS requirements in accordance with the Distribution Development Plan (DDP) and Power Supply Procurement Plan (PSPP) duly accepted by the DOE and as posted by the DU; and (b) the DU's distribution system is capable to absorb the additional

capacity; *Provided, further,* That the DU, in coordination with the Generation Company (GenCo) and the Transmission Network Provider (TNP), shall adopt the necessary measures to ensure that the operation of the generating facility/ies shall not compromise the reliability of the distribution and transmission networks. For this purpose, the DU, the GenCo, and the TNP shall seek the approval of the ERC on the measures to be undertaken for the delivery of the contracted capacity.

2.3.6. Negotiated procurement of Emergency Power xxx xxx xxx;
and

2.3.7. Off-Grid Areas xxx xxx xxx.

All the above instances are subject to the guidelines to be set by ERC and its determination of the compliance by DU with its obligation to supply electricity in the least cost manner to its Captive Market, taking into consideration the quality, affordability, sustainability and reliability of the electric power supply."

Sections 2.3.5 to 2.3.6 of DC No. DC2023-06-0021 are renumbered accordingly.

Section 4. New sections to be numbered as Sections 4 and 5 are hereby inserted after Section 3 (*Definition of Terms*) of DC No. DC2023-06-0021 to read as follows:

"SECTION 4. RIGHT OF FIRST REFUSAL OF DUS HOSTING RE FACILITIES

A host DU shall have a ROFR over the capacity from a Covered RE Facility that is needed for compliance with its annual RPS requirements, consistent with its DDP and PSPP, duly accepted by the DOE and posted by the DU, and with its RPS compliance plan.

RE developers of Covered RE Facilities shall first offer their available capacity to the host DU. Such offer shall be made whenever the RE developers have determined that there is available capacity from its existing, expansion, or new plants; *Provided,* That the ROFR may be exercised by the host DU within a period of three (3) months from the receipt of written notice from the RE developers of such offer. After such period, the RE developers of Covered RE Facilities may offer their capacity to other offtakers.

The capacity offered by the RE developers in the Green Energy Auction Program (GEOP) and capacity already covered by existing supply agreements with customers under the Retail Competition and Open Access or the GEOP shall not be required to be offered to the host DU under this provision."

“SECTION 5. GRID SUPPORT TECHNOLOGY

To promote higher RE penetration without compromising grid reliability and security, the ERC and DOE shall issue guidelines providing incentives for RE technologies with grid support capabilities, within six (6) months from the effectivity of this Circular.”

Sections 4 of DC No. DC2023-06-0021 is renumbered accordingly.

Section 5. Section 5 (*Responsibility of the National Electrification Administration*) of DC No. DC2023-06-0021 shall be amended to read as follows:

“SECTION 7. RESPONSIBILITY OF THE NATIONAL ELECTRIFICATION ADMINISTRATION

7.1 xxx

7.2 xxx

7.3 xxx

7.4 xxx

7.5 xxx

7.6 xxx

7.7 The NEA shall issue an endorsement to the DOE for the ECs availing of Section 2.3.5 of this Circular based on the consistency of the procurement with their DDP and PSPP, which shall be issued no later than twenty (20) calendar days upon receipt of the EC's request.”

Sections 6 to 10 of DC No. DC2023-06-0021 are renumbered accordingly.

Section 6. *Regulatory Support.* – In addition to those provided under Section 6 (*Regulatory Support*) of DC No. DC2023-06-0021, the ERC, in the exercise of its rate-making and regulatory authority, shall issue the necessary regulatory provisions, or any amendments thereto, for the effective implementation of the abovementioned policies and mechanisms under this Circular.

Within thirty (30) days from the effectivity of this Circular, the ERC shall issue rules which shall:

- (a) Ensure that any capacity from Covered RE Facilities offered in CSPs of other DUs has first been subjected to the ROFR of the host DU;
- (b) Establish benchmark prices for different RE technologies that may serve as a reference for DUs in executing contracts pursuant to their exercise of ROFR;
- (c) Provide detailed guidelines for the exercise of the ROFR by host DUs, taking into consideration the following, but not limited to: (i) offer of capacity; (ii) acceptance or rejection of revised offer; (iii) execution of PSAs; and (iv) failure of negotiations;
- (d) Set forth the minimum terms and conditions of the PSA between the host DU and the RE developer of a Covered RE Facility;
- (e) Set forth a procedure and timeline for the filing and approval of PSAs resulting from the DU's exercise of ROFR;
- (f) Provide a mechanism for the expedited resolution of controversies arising from the exercise of ROFR;
- (g) Ensure that the TOR mandates power suppliers to fully absorb the risk of line rental charges, promoting the procurement of least-cost power supply. The guidelines must require that the financial proposal from the GenCo includes line rental charges based on either:
 - (i) A fixed, all-in tariff for the contract duration that is inclusive of all line rental costs; or
 - (ii) A line rental component that is subject to a firm, pre-agreed price cap for the entire contract term;
- (h) In the exercise of its powers and functions under the EPIRA, establish and impose fines and/or penalties for non-compliance of electric power industry participants to support the enforcement of this Circular; and
- (i) Issue other rules necessary for the proper implementation of this Circular.

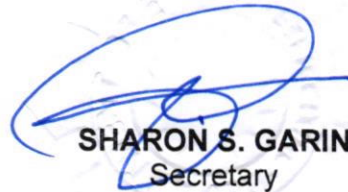
Furthermore, the DOE, NEA, and ERC shall promulgate the necessary guidelines for the posting of all relevant information relating to all PSAs and other similar arrangements on their respective websites, bulletin boards, and alike, without prejudice to the confidentiality of information and data that are subject to the data privacy laws in such contracts and agreements.

Section 7. 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 8. Repealing Clause. – Any prior issuances, orders or circulars inconsistent with this Circular are hereby repealed, amended, or modified accordingly.

Section 9. Effectivity. – This Circular shall take effect fifteen (15) calendar 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.

Issued this OCT 08 2025 at the DOE, Energy Center, Rizal Drive cor. 34th Street, Bonifacio Global City, Taguig City.


SHARON S. GARIN
Secretary

