Republic of the Philippines
Department of Energy
(Kagawaran ng Enerhiya)

BAGONG PILIPINAS

DEPARTMENT CIRCULAR NO. DC2026-02-0006

POLICY ON ACCOUNTABILITY OF ENTITIES ENGAGED IN POWER GENERATION TO ENSURE SUFFICIENT, RELIABLE, AFFORDABLE, AND SECURE SUPPLY OF ENERGY IN THE COUNTRY

WHEREAS, Republic Act (RA) No. 7638, otherwise known as the "Department of Energy (DOE) Act of 1992," as amended, declares it as a 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 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, RA No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001" (EPIRA), states that it is the policy of the State to, among others: (i) ensure the quality, reliability, security and affordability of the supply of electric power; (ii) ensure fair and non-discriminatory treatment of public and private sector entities in the process of restructuring the electric power industry; (iii) protect the public interest as it is affected by the rates and services of electric utilities and other providers of electric power; and (iv) ensure transparent and reasonable prices of electricity in a regime of free and fair competition and full public accountability to achieve greater operational and economic efficiency and enhance the competitiveness of Philippine products in the global market;

WHEREAS, the EPIRA mandates the DOE to, among others: (i) promote a system of incentives to encourage industry participants, including new generating companies and end-users to provide adequate and reliable electric supply; (ii) 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; and (iii) monitor private sector activities relative to energy projects in order to attain the goals of the restructuring, privatization, and modernization of the electric power sector as provided for under existing laws, while providing for an environment conducive to free and active private sector participation and investment in all energy activities;

WHEREAS, RA No. 11646, otherwise known as the "Microgrid Systems Act" (MGSA), declares it as a policy of the State to, among others: (i) accelerate total electrification and ensure the provision of quality, reliable, and secure electricity service at reasonable rates in unserved and underserved areas; (ii) promote private sector participation in the electrification of unserved and underserved areas; (iii) provide a competitive environment for different kinds of energy sources while prioritizing low-cost, indigenous, renewable, and environment-friendly sources of energy; and (iv) ensure the adoption of a dynamic regulatory environment that does not impair nor inhibit end-users from accessing or enjoying the benefits of technologies and innovations in the electric power industry;

WHEREAS, the MGSA mandates the DOE to, among others, monitor the operations of all awarded Microgrid Service Providers (MGSPs) and their respective MGSP Service Contracts (MSCs), and authorizes the DOE, *motu proprio* or upon complaint, to conduct a review of an MGSP's operations and its corresponding MSC should it find reasonable grounds for noncompliance with the minimum technical and service performance standards and other provisions of the MSC;

WHEREAS, the Supreme Court has declared that the generation and supply sectors, while not considered public utilities, are not removed from the ambit of governmental regulation (*Fernando L. Hicap v. Energy Regulatory Commission (ERC), Manila Electric Company (MERALCO), and the Office of the Executive Secretary*, G.R. No. 210334, 01 August 2023), and that the EPIRA and its Implementing Rules and Regulations (IRR) instituted adequate safeguards to curb and altogether suppress any abuse or irregular activity by the generation and supply sectors.

NOW THEREFORE, in consideration of the foregoing premises, the DOE hereby issues, adopts, and promulgates the policy for the accountability of entities engaged in power generation pursuant to Section 6 (Generation Sector) or other relevant provisions of the EPIRA:

RULE I
GENERAL PRINCIPLES

Section 1. ***Title.*** **–** This Circular shall be known and referred to as the "**Power Generator Accountability Policy.**"

Section 2. ***Rationale.*** **–** This Policy is promulgated to uphold the highest standards of electricity generation service delivery and ensure compliance and accountability of all entities engaging in power generation business, including their strict adherence to technical and operational standards, dispatch instructions, market rules, reportorial and assessment requirements, and obligations under their pertinent agreements with electric power industry participants and end-users.

Section 3. ***Scope and Coverage.*** **–** This Policy shall cover all entities owning and/or operating generation facility/ies regardless of size, location, resource type, plant technology, construction/completion status, and connection. This shall include the following entities:

a. Generation Companies (GenCos);
b. Energy Regulatory Commission (ERC);
c. National Electrification Administration (NEA);
d. Power Sector Assets and Liabilities Management Corporation (PSALM);
e. National Power Corporation (NPC);
f. Microgrid Service Providers (MGSPs);
g. National Transmission Corporation (TransCo);
h. Distribution Utilities (DUs);
i. Market Operator (MO); and
j. System Operator (SO), Small Grid Operator (SGO), Small Grid System Operator (SGSO), and other entities acting as such.

Section 4. *Definition of Terms.* – The following terms in this Policy shall be defined as follows:

a. *"Certificate of Compliance"* or *"COC"* refers to a license issued by the ERC in favor of a person or entity to operate a power plant or other facilities used in the generation of electricity pursuant to Section 6 of RA No. 9136 and Section 4, Rule 5 of its IRR.

b. *"Certificate of Endorsement" or "COE"* refers to an issuance by the DOE certifying that a generation facility is consistent with the Power Development Plan (PDP) or with the Missionary Electrification Development Plan (MEDP), if the generation facility is located in an Off-Grid Area. This endorsement is a prerequisite for the facility to secure a Certificate of Compliance (COC) or Provisional Authority to Operate (PAO) from the ERC;

c. "*Committed Power Projects*" refer to projects that have already secured its firm financial closing, are already in the construction stage, or were awarded through the Green Energy Auction Program (GEAP);

d. *DOE Electric Power Database Management System*" or "*DEPDMS*" refers to the online portal established for the electronic submission of reportorial requirements by power industry stakeholders. It encompasses the platform and mechanism used for the systematic and timely submission of power industry data and information.

e. *"Energy Virtual One-Stop Shop"* or *"EVOSS"* refers to an online system that provides a single decision-making portal for actions on applications for permits and/or certifications necessary for, or related to, an application of a proponent for new power generation, transmission, or distribution projects;

f. *"Forced Outage"* refers to an outage that results in emergency conditions directly associated with a unit, requiring that it be taken out of service immediately, either automatically or as soon as switching operations can be performed. This may include outages due to human error, the improper operation of equipment, or a reserve shutdown state.

g. "*Generation Company*" or "*GenCo*" refers to any person or entity authorized by the ERC to operate facilities used in the generation of electricity;

h. "*Grid*" refers to the high voltage backbone system of interconnected transmission lines, substations and related facilities, located in Luzon, Visayas and Mindanao;

i. "G*rid Operating and Maintenance Program*" or "*GOMP*" refers to the consolidated three-year planned outage programs, prepared by the System Operator, in consultation with the users, that contains the scheduled maintenance of grid components and/or facilities, its duration, estimated date and time of start and completion, to ensure the security and reliability of the Grid.

j. "*Independent Power Producer*" or "*IPP*" refers to private entities that own and operate power generation facilities, that are connected to the Grid, and sell electricity through the Grid to DUs, end-users, or other buyers, that are not part of the NPC or PSALM;

k. "*Indicative Power Projects*" refer to projects that are in the pre-development stage, have secured its Clearance to Undertake a System Impact Study with the NGCP, and are compliant with reportorial requirements, including the regular submission of its Monthly Accomplishment Report to the DOE;

l. *"Maintenance Outage"* refers to an outage that does not require immediate removal from the in-service state but requires a unit to be removed from the available state before the next Planned Outage. This is scheduled at least seven (7) days in advance.

m. *"Maximum Load (Pmax)"* refers to the maximum net output in MW that a Generating Unit can reliably sustain based on the Generating Unit Capability Tests.

n. "*Microgrid System Provider*" or "*MGSP*" refers to a natural or juridical person whose business includes the installation, operation, and maintenance of microgrid systems in unserved or underserved areas nationwide;

o. "*Microgrid System Provider Service Contract*" or "*MSC*" refers to the contract between the MGSP and the NPC whereby the MGSP performs the missionary electrification function on behalf of the NPC and provides integrated power generation and distribution services in an unserved and underserved area, and to receive subsidy whenever applicable Qualified Third Party Service and Subsidy Contract (QSSC), which were executed prior to the effectivity of RA No. 11646, shall be treated as an MSC;

p. *"Monthly Accomplishment Report"* or "*MAR*" refers to the mandatory report submitted by project proponents to the DOE for the monitoring of Committed and Indicative Power Projects on a monthly basis. The MAR shall at all times bear the actual development status of the project in accordance with its approved workplan and Commercial Operations Date, as originally submitted to the DOE. Failure to submit the MAR for three (3) consecutive months shall be grounds for de-listing the project from the DOE's official database and non-issuance of a COE;

q. "*New Power Provider*" or "*NPP*" refers to a private entity that owns and operates a power generation facility in an Off-Grid Area and sells the electricity to a DU, other similar service providers, or to electricity end-users;

r. "*Off-Grid Area*" refers to an area that is not connected to the Grid;

s. *"Outside Management Control (OMC) Outage"* refers to an outage wherein the cause is beyond the control of the GenCo and has not resulted from planning error or negligence. This includes: i) *force majeure* event; ii) grid connection or substation failure due to problems with transmission lines, substation, and switchyard equipment outside the responsibilities of the generating plant; iii) lack of fuel (water from rivers or lakes, coal mines, gas lines, etc.) where the GenCo is not in control of contracts, supply lines, or delivery of fuels; iv) special environmental limitations that could not be prevented by operator action; and v) labor strike;

t. *"Planned Outage"* refers to the state in which a component/unit is unavailable due to inspection, testing, preventive maintenance or overhaul. This is scheduled with a pre-determined duration and is coordinated with the System Operator. The Planned Outage of a unit shall be reflected in the GOMP;

u. *"Philippine Distribution Code"* or *"PDC"* refers to the set of rules, requirements, procedures, and standards governing the operation, maintenance, and development, connection and use of the distribution systems in the Philippines. It also defines and establishes the relationship of the distribution systems with the facilities or installations of the parties connected thereto.

v. *"Philippine Electrical Code"* or *"PEC"* refers to the electrical safety code that establishes basic materials quality and electrical work standards for the safe use of electricity for light, heat, power, communications, signaling, and for other purposes.

w. *"Philippine Grid Code"* or *"PGC"* refers to the set of rules, requirements, procedures and standards to ensure the safe, reliable, secured and efficient operation, maintenance, and development of the Grid and its related facilities.

x. *"Philippine Small Grid Guidelines"* or *"PSGG"* refer to the rules, procedures, and requirements for the generation scheduling, dispatch, and control of active power, including provisions of ancillary service, if any, which are required to ensure power quality, reliability, and security of the Small Grid.

y. "*Power Supply Agreement*" or "*PSA*" refers to an agreement between a power producer and a DU for supply of power;

z. *"Provisional Authority to Operate" or "PAO"* refers to the interim authority granted by the ERC in favor of a person(s) or entity(ies) to operate generation facilities used in the generation of electricity, pending the completion of requirements for issuance of COC, and as the power demand and supply situation warrants, provided the requirements for grant of PAO is complied with, and that the government permits issued thereto are valid.

aa. *"Significant Incident"* refers to a single or series of events that has a serious or widespread effect on the Grid, a distribution system, or a user's system. This includes events that impact the quality, reliability, and security of power supply. This includes those mentioned in the Philippine Grid Code and Philippine Distribution Code, as well as events that trigger alert states;

bb. "*Small Grid*" refers to the backbone system of interconnected high voltage lines or medium voltage lines, substations and other related facilities not connected to the Grid;

cc. "*System Operator*" or "*SO*" refers to the person or entity responsible for generation dispatch, or the implementation of generation dispatch schedule based on the nomination of the DU from its PSA with the generators, the provision of ancillary services and operation to ensure safety, power quality, stability, reliability and security of the Small Grid;

dd. "*Small Grid Owner*" or "*SGO*" refers to the party that owns the backbone transmission or sub-transmission or distribution System, and is responsible for planning, operations and maintaining adequate capacity in Small Grid Areas;

ee. "*Small Grid System Operator*" or "*SGSO*" refers to the person or entity that is responsible for generation dispatch and real-time control of the power system in Off-Grid Areas through the management of operating reserves, reactive power support, black start and other operating requirements to ensure safety, power quality, stability, reliability and security of the Small Grid;

RULE II
ACCOUNTABILITY OF THE GENERATION SECTOR

Section 5. *General Accountability of the Generation Sector.* – All GenCos shall observe the following responsibilities:

a. Operate their facilities with a valid COC or PAO and maintain all necessary health, safety and environmental clearances, licenses, authorizations, and other similar documents from the DOE, ERC, and other relevant government agencies;

b. Comply with all the terms, conditions, and obligations set upon such certificates, licenses, authorizations, and other similar documents;

c. Satisfactorily maintain their facilities within the standards set by the applicable laws, rules, and regulations, including but not limited to the PGC, PEC, PDC, and PSGG, and consistent with the industry's best practices. For purposes of assessment and inspections, all GenCos shall ensure compliance with the parameters listed in Annex A and maintain records thereof, which shall be made available to the DOE and ERC or their duly authorized representatives as necessary;

d. Comply with the conduct of periodic operational and technical assessment by the DOE or its duly authorized representatives;

e. Timely submit accurate, complete, and transparent data, information, and reports to the DOE, ERC, NPC and all concerned agencies and entities in accordance with applicable laws, rules, regulations, and agreements; and

f. Promptly report any Significant Incident that may or has actually posed risk to the security, reliability, and availability of power supply in any area. The report shall include details of the event and the corresponding workplan of the GenCo to restore the facility to its to its maximum available capacity.

Section 6. *Safeguards of the GenCos.* – Without prejudice to their responsibilities under this Policy and other applicable laws, rules and regulations, all GenCos shall be entitled to the following protections and assurances:

a. Due process on the evaluation of its COC or PAO, and in the conduct of assessments and inspections on its facilities by the DOE or its authorized representative(s);

b. The opportunity to submit and implement a compliance plan to address any findings arising from the DOE or its authorized representative(s) and/or any other relevant entities' assessment;

c. Confidentiality of their submissions consistent with the applicable rules and regulations of the DOE, except as otherwise provided in this Policy;

d. Timely and efficient processing, including transparent and uniform requirements for certificates, licenses, permits, authorizations and other requirements of the DOE, ERC, NPC, MO, and SO for the timely commercial operation of the GenCo's facilities. Failure to approve within the applicable timelines under RA No. 11234 or EVOSS Act shall deem such application as approved by the relevant entity; and

e. Consulted, or at least given an opportunity to be consulted, in the development, amendment or enhancement of various rules and policies of the DOE which affects the viability and operation of the Generation Sector.

RULE III
ACCOUNTABILITY OF POWER GENERATION SECTOR CONNECTED TO THE GRID

Section 7. *Manner of Operation for GenCos Connected to the Grid.* – All GenCos connected to the Grid shall operate and maintain their facilities in accordance with the following standards and responsibilities:

a. **Grid Reliability**. All GenCos connected to the Grid or distribution system shall operate their facilities to ensure reliability and the continuous availability of supply and reserves. They shall strictly adhere to the standards and limits set by the DOE, ERC, MO, SO, and other relevant entities, including compliance with the Reliability Indices and Performance Standards under the PGC, PDC, PEC.

b. **Maintenance Compliance**. All GenCos connected to the Grid shall conduct regular and preventive maintenance activities in accordance with manufacturer recommendations and the reliability standards adopted by the ERC. All maintenance schedules must be integrated in the GOMP, as approved by the DOE.

c. **Market and Dispatch Obligations**. All GenCos connected to the Grid shall be responsible to fulfill their obligations in the WESM and adhere to all WESM Rules and Market Manuals. This shall include the Offered Capacity Compliance Standards (Must-Offer Rule), Dispatch Conformance Standards, Reserve Conformance Standards, Reserve Offer Capacity Compliance, and other substantive, procedural, and technical requirements set or to be issued by the MO or SO. Any violation or failure to comply with the foregoing shall, after due process, subject the GenCo to the appropriate liabilities and penalties under the WESM Penalty Manual.

d. **Exhaustion of Economic Life**. GenCos operating non-renewable energy (non-RE) generating facilities shall be retired, replaced or repurposed upon the exhaustion of the facility's economic life. The DOE shall require the GenCo to submit a retirement, replacement or repurposing plan within a specified period prior to the projected exhaustion of the facility's economic life. The plan shall include the proposed course of action, technical assessment of the facility's condition, compliance status, implementation schedule, and such other information as the DOE may require.

The DOE shall direct the continued operation of a non-RE generating facility beyond its economic life where it determines that such operation is necessary to ensure energy security, system reliability, or adequacy of supply. Such continued operations shall be for a specified period subject to compliance with technical, environmental, safety, reliability, and other conditions as the DOE may impose, including required upgrades, rehabilitation measures, periodic inspections, and reporting obligations.

Section 8. *Responsibilities of GenCos Connected to the Grid.* – All GenCos connected to the Grid are accountable to maintain the validity of, and strictly observe and comply with the requirements, procedures, terms, and conditions of:

a. Certificates, licenses, authorizations, and similar consents or documents from the DOE, ERC, MO, SO and other government agencies and entities;
b. Power supply contracts with DUs and other entities;
c. WESM Rules and Market Manuals;
d. Reliability Indices and Performance Standards under the PGC, PDC, PEC;
e. Dispatch instructions of the SO;
f. GOMP;
g. Reportorial requirements;
h. Other obligations under pertinent DOE and ERC issuances;

Section 9. *Monitoring of GenCos Connected to the Grid.* – All GenCos shall diligently and consistently comply with the Reportorial Requirements under Department Circular (DC) No. DC2022-02-0001, otherwise known as *"Providing Policies for the Systematic Management of the DOE Reportorial Requirements for the Electric Power Industry Participants,"* and DC No. 2024-02-0008, otherwise known as *"Providing a Supplemental Policy for the Systematic Management of the DOE Reportorial Requirements of Electric Power Industry Participants–Generation Companies,"* unless otherwise amended or superseded.

The submitted reports and the gathering or processing of data from such reports may be used as evidence in court and other administrative proceedings in the following cases:

a. The reports submitted by the GenCo are found to contain material misrepresentations or deviations from the actual data from other reliable sources;

b. The DOE, *motu proprio* or upon complaint, finds it necessary to subdue any anti-competitive behavior, unfair practices, market manipulation or market power abuse by any electric power industry participant in any platform of the DOE, MO or SO; or

c. The sufficiency of supply and reliability of the Grid or distribution network is in peril due to the behavior of the GenCo, as determined by the DOE with the MO, SO and concerned DU.

Further, non-submission of reports shall also be a ground for administrative penalties and other applicable sanctions, including non-issuance of the COE to the ERC or revocation of the COC.

Section 10. *Assessment of GenCos Connected to the Grid.* – The DOE shall conduct periodic assessment of all GenCos and their facilities in line with DC No. DC2017-12-0016, otherwise known as *"Adopting Guidelines for the Performance Assessment and Audit of All Power Generation, Transmission, and Distribution Systems and Facilities,"* and DC No. DC2017-05-0008, otherwise known as *"Providing for the Policies and Guidelines on the Conduct of Performance Assessment and Audit for All Power Generation, Transmission, and Distribution Systems and Facilities,"* unless otherwise amended or superseded. The DOE may call upon other entities to conduct the assessment.

The results of the assessment shall be referred to the ERC for the immediate commencement of further investigations and imposition of appropriate penalties, without prejudice to other legal remedies available to the DOE.

The DOE may likewise endorse its findings and recommendations to the Philippine Competition Commission (PCC), the Department of Justice (DOJ), and other relevant government agencies for the institution of appropriate administrative, civil or criminal liabilities, in accordance with their respective mandates and jurisdictions.

In the implementation of this Policy, the GenCo shall undertake the following:

a. **Continuous Compliance through Self-Assessment**. The GenCo shall ensure its continuous compliance with operational and technical standards. For this purpose, the GenCo shall conduct annual self-assessment and submit the completed assessment form in **Annex "A"** (Parameters of Generator Compliances for On-Grid) of this Policy to the DOE, no later than March 31st of every year. The declarations made in Annex "A" shall serve as the primary basis for the DOE's assessment and subsequent endorsement to the ERC for appropriate action.

   This notwithstanding, the DOE may conduct facility visitations and on-site inspection to confirm the validity of the submission, subject to prior notification to the concerned GenCo. The DOE shall periodically update the parameters checklist to ensure consistency with new or amended DOE policies and/or ERC rules and regulations. Such updates shall be issued through an Advisory, duly published on the DOE website.

b. **Report of Preventive Maintenance Findings**. Within forty-five (45) calendar days from the completion of its Preventive Maintenance Schedule (PMS) pursuant to the GOMP, each GenCo shall submit a report which shall detail the findings, recommendations, and the GenCo's compliance plan to address the same. The DOE shall monitor the compliance to ensure its timely completion and may recommend necessary action in case of deviation in its implementation.

c. **Report of Outages**. In case of Forced Outage, Maintenance Outage, OMC Outage, or other unplanned or unexpected shutdown, or derating of the generation facility or unit, the GenCo shall immediately inform the DOE of the details, including the cause of the outage and estimated time of the return to service of the facility. This information should be consistent with the report of the GenCos submitted to the ERC pursuant to ERC Resolution No. 04, Series of 2015 ("*Adopting the Procedure in the Reporting Generation Companies of Outage Events Affecting their Generating Facilities*"), as may be amended or superseded by a subsequent issuance.

d. **Maintenance of Records**. The GenCo shall maintain complete and accurate compliance records, including the accomplished Checklist of Standards, PMS implementation results, and corrective actions undertaken. The DOE and ERC shall conduct validation activities every two (2) to three (3) years, on a risk-based schedule, or as necessary, through document reviews, on-site inspections, and performance assessments, including the Equivalent Forced Outage Factor, Equivalent Maintenance Outage Factor, Equivalent Planned Outage Factor, Equivalent Maintenance Outage Rate, Equivalent Force Outage Rate, Force Outage Rate or any other relevant operational indicators as may be prescribed by the DOE and the ERC.

The DOE, in coordination with the ERC, shall review and evaluate all submissions to ensure completeness and consistency with requirements of this Policy. In case deficiencies are found, the concerned generator shall be notified and required to provide clarifications and corrective measures within the prescribed period.

Section 11. *Additional Grounds for Incidental/Special Assessment.* – In addition to the grounds set in DC No. DC2017-12-0016, the following circumstances shall automatically trigger an Incidental/Special Assessment of Generation Facilities connected to the Grid:

a. Facilities operating without a valid and subsisting certification, license, authorization, or other similar government consent;

b. Generation facilities failing to provide the contracted capacity for the last three (3) months;

c. GenCos which supply the contracted capacity solely via rental generation sets or deviation to the actual technology or resource indicated in such agreement, whichever applies, except in cases of *force majeure* or emergency situations; or

d. Sustained derating of capacity not attributable to the availability of Renewable Energy resource for the past three (3) month period.

Section 12. *Non-Compliant GenCos; Sanctions.* – GenCos found non-compliant with any accountability requirement or performance standard, or that are otherwise found in violation of this Policy based on the results of an inspection or assessment, or due to recurring Forced Outages, valid complaints concerning the GenCo's performance, falsification or non-submission of reportorial requirements, and other acts or omissions contrary to this Policy, shall be subject to appropriate sanction(s):

The DOE and/or ERC, within their respective statutory mandates, may impose any of the following sanction(s), singly or in combination, as applicable:

a. **Corrective Action Plan**. Direction to submit, implement, and/or periodically report on a Corrective Action Plan (CAP), including specific milestones, subject to verification by the DOE and/or ERC. Failure of the GenCo to submit and implement the CAP within the prescribed period shall likewise be subject to appropriate sanction(s);

b. **Administrative Fines and/or Penalties.** Imposition of administrative fines and/or penalties in accordance with the EPIRA and prevailing ERC rules;

c. **Regulatory Action on Permits or Authorizations.** Suspension, cancellation, withdrawal or revocation of the COE, COC, or any other permit, license, approval, or other authorization, in accordance with the EPIRA and prevailing rules and regulations issued by the DOE and ERC;

d. **Blacklisting or Disqualification.** The blacklisting or disqualification of a GenCo shall result in its exclusion, for a specified period, from participation in any DOE-administered or DOE-authorized competitive selection, auction, or other award mechanisms, including capacity auctions or programs, subject to the applicable program rules. During such period, the DOE and/or ERC shall not issue, renew, or maintain any permits, licenses, approvals, or other authorizations necessary for the GenCo's conduct of business.

e. **Cease and Desist Order**. Issuance of Cease and Desist Orders by the ERC after due notice and hearing, in accordance with the EPIRA and prevailing ERC rules; and

f. **Other Remedial Measures**. The DOE and/or ERC may impose such other measures consistent with the law as may be necessary to stop and redress the GenCo's non-compliance and to improve the overall reliability of the facility.

RULE IV
ACCOUNTABILITY OF POWER GENERATION SECTOR IN OFF-GRID AREAS

Section 13. *Manner of Operation in Off-Grid Areas.* – All NPPs, MGSPs, DUs, LGUs or any stakeholder operating a generation facility/ies in Off-Grid Areas for purposes of supplying electricity to end-users shall operate their facilities in a way that will not affect the availability of supply and reserves, and the reliability of the transmission and distribution network in Off-Grid Areas. They shall operate in close coordination with the NPC and/or the concerned DU, and TransCo in areas where it is the SO.

They shall observe all their obligations under applicable agreements with the NPC, TransCo and the respective DUs/counterparties, operate within the standards and limits set by the policies of the DOE and ERC, and ensure full synchronization of their facilities with the transmission and distribution network, as applicable. They shall always fulfill the full contracted supply and ensure provisions for reserves and support services in any contingent event in such area.

Section 7 (d) of this Circular shall also apply to GenCos operating non-RE generating facilities in Off-Grid Areas.

Section 14. *Responsibilities of GenCos in Off-Grid Areas.* – All GenCos in Off-Grid Areas are accountable to observe and comply with the requirements, procedures, terms, and conditions of:

a. Certificates, licenses, authorizations, and similar consents or documents from the DOE, ERC, NPC, TransCo, and other government agencies and entities;
b. All PSAs (including emergency and interim) with DUs and/or LGUs;
c. MGSP notice of awards and any agreements with the DOE, NPC or the concerned DU, as applicable;
d. Universal Charge for Missionary Electrification (UCME) Subsidy Agreement with the NPC, if applicable;
e. Reliability Indices and Performance Standards under the Philippine Small Grid Guidelines and pertinent issuances of the DOE and ERC;
f. Dispatch instructions of SGO or SGSO;
g. Reportorial Requirements; and
h. Other obligations under pertinent DOE and ERC issuances.

Section 15. *NPC Accountability as Generator.* – When NPC-Small Power Utilities Group (NPC-SPUG) performs generation functions in Off-Grid Areas, whether as default supplier, interim provider, or Supplier of Last Resort, it shall be accountable for meeting the same operational, technical, reporting, and coordination requirements imposed on all GenCos under this Policy. Accordingly, NPC-SPUG shall:

a. Operate and maintain its generating facilities in accordance with DOE and ERC prescribed reliability, availability, and performance standards applicable to off-grid systems;

b. Integrate the DOE accepted Distribution Development Plan, which includes the Power Supply Procurement Plan (PSPP), of its offtaker DUs, including capacity requirements, RE and hybridization deployment schedules aligned with the SO and DU on its MEDP;

c. Coordinate continuously with the concerned DUs, TransCo, and NEA to ensure proper measures necessary to maintain uninterrupted service;

d. Submit periodic operational reports, including generation levels, outages, derations, fuel status (where applicable), and any Significant Incidents, together with corrective action plans, to the DOE and relevant agencies for monitoring and enforcement;

e. Implement timely corrective actions addressing deficiencies identified by DOE, NEA and TransCo, and participate fully in assessments, audits, and monitoring activities required under this Policy; and

f. Fulfill all contractual obligations with DUs and/or LGUs.

Section 16. *Monitoring of GenCos in Off-Grid Areas.* – All GenCos in Off-Grid Areas and the NPC SPUG shall ensure transparent, complete and timely compliance with the Reportorial Requirements under DC No. DC2022-02-0001, and DC No. DC2024-02-0008, unless otherwise amended or superseded.

The submitted reports and the gathering or processing of data from such reports may be used as evidence in court and other administrative proceedings in the following cases:

a. The reports submitted by the Off-Grid GenCo are found to contain material misrepresentations or deviations from the actual data from other reliable sources;

b. The DOE, *motu proprio* or upon complaint, finds it necessary to subdue any anti- competitive behavior or unfair practices, market manipulation or market power abuse by any electric power industry participant in any Off-Grid Area; or

c. The sufficiency of supply and reliability of the distribution system are in peril due to the behavior of the GenCos NPP(s) or MGSP(s), as determined by the DOE with the NEA, NPC and TransCo.

Further, non-submission of reports shall also be a ground for administrative penalties and other applicable sanctions, including non-issuance of the COE to ERC, or revocation of the COC.

Section 17. *Assessment of GenCos and NPC SPUG in Off-Grid Areas.* – The DOE, in collaboration with NEA, NPC, and TransCo shall conduct the monitoring and assessment of all GenCos and their facilities in line with DC No. DC2017-12- 0016 and DC No. DC2017-05-0008, unless otherwise amended or superseded. The DOE may engage other recognized entities to assist in the conduct of such assessment.

The results of the assessment shall be referred to the ERC for the commencement of further investigations, revocation of relevant permits, and imposition of appropriate penalties.

The DOE may likewise endorse its findings and recommendations to the PCC, the DOJ, and other relevant government agencies for the institution of appropriate administrative, civil or criminal liabilities, in accordance with their respective mandates and jurisdictions.

In the implementation of this Policy, the GenCo and NPC SPUG shall ensure its continuous compliance with operational and technical standards. For this purpose, they shall conduct annual self-assessment and submit the completed assessment form in **Annex "B"** of this Policy to the DOE, no later than March 31st of every year. The declarations made in Annex "B" shall serve as the primary basis for the DOE's assessment and subsequent endorsement to the ERC for appropriate action.

The DOE may conduct visitation and inspection to confirm the validity of the submission, subject to due notification to the concerned GenCo and NPC SPUG. This notwithstanding, the DOE may conduct facility visitations and on-site inspection to confirm the validity of the submission, subject to prior notification to the concerned GenCo. The DOE shall periodically update the parameters checklist to ensure consistency with new or amended DOE policies and/or ERC rules and regulations.

Such updates shall be issued through an Advisory, duly published on the DOE website.

Section 18. *Additional Grounds for Incidental/Special Assessment.* – In addition to the grounds set in DC No. DC2017-12-0016, the following circumstances shall automatically trigger an Incidental/Special Assessment of Generation Facilities in Off-Grid Areas:

a. Facilities operating without a valid and subsisting certification, license, authorization, or other similar government consent;

b. Generation facilities failing to provide the contracted capacity based on its PSA;

c. GenCos and NPC-SPUG which supply the contracted capacity via rental generation sets or in deviation to the actual technology or resource indicated in the PSA or MSC, whichever applies, except in cases of *force majeure* or emergency situations; and

d. Presence of potential or actual stranded generation in an Off-Grid Area.

RULE V
ACCOUNTABILITIES OF GENERATION COMPANIES ISSUED WITH CERTIFICATE OF ENDORSEMENT/S FOR THE DEVELOPMENT OF NEW POWER PROJECTS

Section 19. *Application*. – This Rule shall apply to the accountabilities of GenCos with ongoing power project developments with duly issued COEs by the DOE, for the GenCo's application for a COC with the ERC.

Section 20. *Term of the COE*. – The COE issued by the DOE shall have a term of three (3) years, or until the issuance of the COC by the ERC, whichever comes first.

Section 21. *Grounds for Evaluation of the COE*. – The DOE shall check the contribution, connection or consistency of the project with the Philippine Energy Plan, PDP, and MEDP, whichever is applicable.

In addition thereto, the DOE shall assess the COE application on the following criteria:

a. Compliance with the reportorial requirements of the DOE for planned generation projects through the MAR, as indicated in **Annex "C"**. The MAR shall be submitted to the DOE on a monthly basis starting from the DOE's endorsement to the relevant Network Service Provider of the project's assessment for System Impact Study or Distribution Impact Study, as applicable.

b. Performance of responsibilities under existing service contracts with the DOE, if applicable;

c. Submission of PMS for the first two years of commercial operation which shall be considered as committed under the GOMP; and

d. Other compliances as may be mandated under pertinent rules and regulations of the DOE.

Section 22. *Process of COE Applications.* – For COE applications of greenfield power plants, or of first instance or any amendment to the issued COE, the requirements and process, as indicated in **Annexes "D" and "E",** respectively, shall be observed. Further, a request for COE issuance must be lodged as a new application in cases where the PAO issued by the ERC has already expired.

Section 23. *COE is Not Evidence*. – The COE shall be inadmissible as evidence of a GenCo's compliance with the requirements, conditions, terms and commitments under pertinent laws, rules and regulations, except for matters relating to the COC. The COE shall not be construed, implied or expressly, as a waiver for the DOE or any concerned agency or entity to pursue any case, remedy or claim against the GenCo.

RULE VI
ROLES AND RESPONSIBILITIES OF GOVERNMENT AGENCIES AND INSTRUMENTALITIES AND ELECTRIC POWER INDUSTRY STAKEHOLDERS

Section 24. *Responsibilities of the DOE.* – The DOE shall have the following responsibilities:

a. Proactively monitor and supervise all activities of the Generation Sector;

b. Assist and provide the necessary interventions for GenCos to other government agencies and entities relative to the permits, licenses, certifications and other government authorizations and consents necessary to ensure availability of supply of electric power;

c. Validate submitted monthly reports with reference to other reliable sources to ensure the integrity, veracity, and accuracy of data and information. The conduct of validation shall include table-top review, on-site inspection and other modes as may be approved by the Secretary;

d. Perform inspection of facilities and validation of submissions of the GenCos during the middle of the term of the COE and prior to the succeeding issuances of the COE, in cases of re-applications. The inspection and validation shall be performed by the bureau(s) or other related office(s) of the DOE with respect to the resource or technology of such generation facility;

e. Immediately notify the GenCos which failed to submit the mandatory reportorial requirements for at least two (2) consecutive months. A patterned or erratic submission and non-submission of reports within a six (6)-month period shall likewise be a basis to notify the concerned GenCo;

f. Coordinate with the NEA, NPC, TransCo, MO, SO, DUs and other relevant agencies, entities and stakeholders for the appropriate enforcement of this Policy and other relevant DOE and ERC issuances on the Generation Sector;

g. Monitor the adequacy and enforcement, if triggered, of the Contingency Plan of the NPC and concerned DUs in Off-Grid Areas;

h. Refer to the ERC and other related agencies all possible violations and non-compliance of erring GenCos for the institution of appropriate investigations or cases and imposition of appropriate penalties;

i. Exercise supervision and, if necessary, assistance to the MO, SO and DUs in supervision and monitoring of GenCos;

j. Issue the pertinent advisories in the implementation of this Policy; and

k. Perform all other acts to achieve the objectives of this Policy.

Section 25. *Regulatory Support from ERC.* – The ERC shall have the following responsibilities:

a. Promulgate the necessary guidelines and amendments to its existing policies to implement the provisions of this Policy, in accordance with its powers and functions under the EPIRA;

b. Pursue investigations, initiate the necessary cases and impose appropriate sanctions and penalties against erring GenCos;

c. Consider the enhancements introduced by the MO, SO, and SGSO in their respective systems or platforms pursuant to this Policy, and the reasonable allocation and/or recovery of costs and expenditures appurtenant thereto;

d. Determine the economic life of each plant technology, with particular emphasis on non-renewable energy facilities that will be subject to retirement, replacement, or repurposing; and

e. Perform all other acts to achieve the objectives of this Policy.

Section 26. *Responsibilities of the NEA.* – The NEA shall assist the DOE in the implementation and enforcement of this Policy. In this regard, NEA shall have the following responsibilities:

a. Assist Electric Cooperatives (ECs) in ensuring the compliance GenCos to the terms of their PSAs;

b. Provide the DOE with a monthly verified report and analysis on electricity service concerns and issues attributed to the performance and operation of GenCos in their respective areas;

c. Provide technical, legal, and institutional guidance to ECs in the implementation and enforcement of their rights, privileges, and remedies under applicable PSAs and related agreements with regard to the GenCo(s) in their franchise; and

d. Perform all other activities consistent with this Policy, as may be delegated by the DOE.

Section 27. *Responsibilities of the NPC.* – In accordance with its mandate under the EPIRA, MGSA, and other relevant laws, rules, regulations and agreements, the NPC shall have the following responsibilities:

a. Ensure reliable, efficient, and affordable supply of electricity to all areas purely served by its SPUG;

b. Exercise administrative supervision of GenCos in all Off-Grid Areas to ensure their compliance to their UCME agreements with NPC and to power supply contractual obligations with the concerned DUs;

c. Study the necessary private sector participation in Off-Grid Areas, implement measures to encourage additional generation facilities from the private sector to participate, and ensure their efficient and smooth integration in Off-Grid Areas, in accordance with its UCME Graduation Plan under DC No. DC2019-01-0001, otherwise known as *"Prescribing the Omnibus Guidelines on Enhancing Off-Grid Power Development and Operation"*;

d. Maintain close coordination with DUs in the monitoring of GenCos and the enforcement of this Policy and other relevant laws, rules and regulations;

e. Ensure that the NPC transmission system is planned, operated, and maintained in a manner that supports the efficient, reliable, and secure conveyance of power supply from GenCos to the concerned DUs and system operations of the TransCo;

f. Act as the Supplier of Last Resort for generation in Off-Grid Areas, in the event of GenCo's failure to operate reliably and sufficiently, wherein the DU cannot take over due to technical, financial, or institutional limitations;

g. Implement mechanisms for the equitable and efficient allocation of the UCME, consistent with its responsibility under DC No. DC2019-01-0001, with due regard to the performance and compliance of GenCos in Off-Grid Areas;

   To this effect, the NPC may institute remedies that:

   i. Disqualify an Off-Grid GenCo to UCME, in case of substantial breach in its obligations and responsibilities, even if operating in such Off-Grid Area;

   ii. Withhold UCME entitlements in case of failure to rectify errors cited by the NPC and technical improvements as prescribed by TransCo as SGSO or to implement the activities in an action plan. In such case, the end-users shall still enjoy the Subsidized Approved Generation Rate or Subsidized Approved Retail Rates, whichever applies in the area; and
   iii. Recommend blacklisting a specific GenCo, for a certain period, operating in Off-Grid Areas;

h. Institutionalize a Contingency Plan, as part of its Missionary Electrification Plan, to ensure sufficient, reliable, and secure supply of electricity in Off-Grid Areas, in cases of *force majeure*, or failure of GenCos to provide the contracted capacity;

i. Act as Lead Entity, if designated as such by the DOE, or extend full assistance and participation in the audit of GenCos, once called upon by the DOE; and

j. Perform all other activities consistent with this Policy, as may be delegated by the DOE.

Section 28. *Responsibilities of the TransCo.* – In addition to its functions under the EPIRA and DC No. DC2019-01-0001, the TransCo shall have the following responsibilities:

a. Fulfill its mandate as the SGO and SGSO in Off-Grid Areas, in accordance with DC Nos. DC2019-01-0001 and DC2021-11-0039, otherwise known as the *"Mandating the National Transmission Corporation as Small Grid System Operator in Specific Off-Grid Areas";*

b. Assist the SGO in Off-Grid Areas, upon request or directive of the DOE, in the appropriate dispatch of GenCo(s) in such areas and other measures to ensure reliable and quality conveyance of generated power in the distribution systems therein;

c. Collaborate with the NPC, upon request or directive of the DOE, in the performance of SO functions in other Off-Grid Areas;

d. Submit to the ERC the appropriate and financial requirements relative to its operation as SGSO and other relevant documents as may be required by the Commission;

e. Extend full assistance and participation in the audit of GenCos, once called upon by the DOE; and

f. Perform all other activities consistent with this Policy, as may be delegated by the DOE.

Section 29. *Responsibilities of the System Operator.* – The SO shall have the following responsibilities:

a. Establish all necessary safeguards for the transparent, efficient, complete, and strict enforcement of schedules of GenCos indicated in the GOMP with due consideration on the reliability of the system and sufficiency of supply in the Grid;

b. Timely issue clear dispatch or redispatch instructions, as may be necessary, to maintain grid security and reliability, and maintain open communications with GenCos for the strict compliance with such instructions;

c. Establish a platform or mechanism with the MO for the validation of the energy transfers of GenCos vis-a-vis actually delivered from the plant to the Grid or traded in the WESM;

d. Closely coordinate with the DUs in the monitoring of GenCos and the enforcement of this Policy and other relevant laws, rules and regulations;

e. Provide recommendations in the audit of GenCos, once called upon by the DOE; and

f. Perform all other activities consistent with this Policy, as may be delegated by the DOE.

Section 30. *Responsibilities of the Market Operator.* – The MO shall have the following responsibilities:

a. Establish a platform or mechanism with the SO for the validation of the energy transfers of GenCos vis-a-vis actually delivered from the plant to the Grid or traded in the WESM;

b. Further introduce enhancements in the WESM to maintain the transparency and accountability of GenCos, and appropriately penalize any act of supply and/or price rigging, market manipulation and other anti-competitive behavior and unfair practices, either committed by a single GenCo or in collusion with other GenCo(s);

c. Periodically review and revise, if necessary, the Penalty Manual, to trigger *motu proprio* investigations and imposition of penalties to uphold GenCo accountability in the WESM;

d. Participate and provide recommendations in the audit of GenCos, once called upon by the DOE; and

e. Perform all other activities consistent with this Policy, as may be delegated by the DOE.

Section 31. *Responsibilities of DUs.* – All DUs, either connected to the Grid or in Off-Grid Areas, shall have the following responsibilities:

a. Actively supervise and monitor all GenCo activities in their respective franchise areas;

b. Closely coordinate with their contracted GenCos and strictly enforce all provisions of their respective PSAs, particularly those that pertain to the delivery of contracted capacity and related to the pass-on rates to consumers;

c. For Off-Grid Areas with a single GenCo, establish clear protocols to ensure reliable and sufficient supply in their franchise area.

   To this effect, Off-Grid DUs shall prepare a Contingency Plan, as part of their Power Supply Procurement Plan to ensure reliable and sufficient supply of electricity during *force majeure* or failure of the GenCo(s) therein to supply the contracted capacity. In case of the ECs, the Contingency Plan shall undergo a review and approval of the NEA to ensure the provision of the necessary resources to implement the Plan;

   For DUs with areas operated by MGSP(s), such Contingency Plan shall provide takeover provisions, among others, in MGSP areas before NPC acts as Supplier of Last Resort;

d. Participate and provide recommendations in the audit of GenCos, once called upon by the DOE; and

e. Perform all other activities consistent with this Policy, as may be delegated by the DOE.

RULE VI
MISCELLANEOUS PROVISIONS

Section 32. ***Recognition of Vested Rights and Non-absolution of Pre-Existing Offenses.*** **–** Nothing in this Policy shall be construed to affect any vested rights that have appropriately accrued to any person under valid mechanisms prior to the commencement of this Policy.

This Policy shall likewise not absolve, condone, or exempt any non-compliances or violations committed by GenCos under applicable laws, rules, regulations, and agreements prior to the issuance of this Circular. Pre-existing offenses shall remain punishable under the laws, rules and regulations in force at the time of their commission.

Section 33. ***Exclusions.*** **–** The COE issued by DOE for the Authority to Operate of MGSPs shall be governed by the applicable rules and regulations pursuant to RA No. 11646.

Likewise excluded from this Policy are the monitoring and audit of the GenCos' responsibility to provide financial benefits to host communities. The rules and regulations, including its successor policies or amendments, shall continue to apply.

Section 34. ***Separability.*** **–** If for any reason, any section or provision of this Circular is declared invalid or unconstitutional, the other provisions not affected thereby shall remain valid and subsisting.

Section 35. ***Repealing Clause.*** **–** Pertinent provisions of DC Nos. DC2022-02-0001, DC2024- 02-0008, and DC2017-12-0016 are hereby amended by this Policy.

All other previous issuances, rules, and regulations inconsistent with the provisions of this Circular are likewise repealed or amended accordingly.

Section 36. ***Effectivity.*** **–** This Circular shall take effect immediately upon its publication in two (2) newspapers of general circulation or in the Official Gazette. A copy of this Circular shall be furnished to the University of the Philippines Law Center-Office of National Administrative Register (UPLC-ONAR).

Issued this 16 February 2026 at the DOE, Energy Center, Rizal Drive cor. 34th Street, Bonifacio Global City, Taguig City.

SHARON S. GARIN
Secretary