



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

DEPARTMENT CIRCULAR NO. DC2022-10-0031 /r

**DECLARING ALL RENEWABLE ENERGY RESOURCES AS PREFERENTIAL
DISPATCH GENERATING UNITS IN THE WHOLESALE ELECTRICITY SPOT
MARKET AMENDING FOR THIS PURPOSE DEPARTMENT CIRCULAR NO.
DC2015-03-0001**

WHEREAS, Republic Act 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, Republic Act 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 reliability, quality, and security of supply of electric power, and promote the utilization of indigenous, new, and renewable energy (RE) resources in power generation to reduce dependence on imported energy;

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

WHEREAS, Republic Act 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 7 of the RE Act mandated the establishment of a Feed-in Tariff (FIT) system for electricity produced from wind, solar, ocean, run-of-river hydropower, and biomass to accelerate the development of emerging RE resources. Under the FIT system, FIT-eligible power projects are given priority connections to the grid, and priority purchase and transmission of, and payment for, electricity generated from eligible RE resources;

WHEREAS, Section 20 of the RE Act declared that qualified and registered RE generating units with intermittent RE resources shall be considered "*must dispatch*" based on available energy and shall enjoy the benefit of priority dispatch. The phrase "RE generating units with intermittent RE resources" refers to RE generating units or group of such units connected to a common connection point whose RE resource is location-specific, naturally difficult to precisely predict the availability of RE resource thereby making the energy generated variable, unpredictable and irregular and the availability of the resource inherently uncontrollable, which include plants utilizing

wind, solar, run-of-river hydro or ocean energy;

WHEREAS, the DOE issued Department Circular (DC) No. DC2015-03-0001, entitled "*Promulgating the Framework for the Implementation of Must Dispatch and Priority Dispatch of Renewable Energy Resources in the Wholesale Electricity Spot Market*", which established the integration of must dispatch and priority dispatch generating units in the Wholesale Electricity Spot Market (WESM). Section 4 of DC No. DC2015-03-0001 defined the terms "Must Dispatch" and "Priority Dispatch" as follows:

- a. "Must Dispatch" is facilitated in the WESM by qualified and registered intermittent RE-based plants, whether or not under FIT system, such as wind, solar, run-of-river hydro, or ocean energy, according to the preference in the dispatch schedule whenever generation is available. The enjoyment of Must Dispatch by intermittent RE-based plants is based on the difficulty to precisely predict the availability of RE resource thereby making the energy generated variable and irregular and the availability of resource inherently uncontrollable pursuant to Section 20 of the RE Act.
- b. "Priority Dispatch" means giving preference to biomass plants, under the FIT system, in the dispatch schedule pursuant to Section 7 of the RE Act;

WHEREAS, granting all generating units utilizing RE resources either Must Dispatch or Priority Dispatch status (collectively referred to as "Preferential Dispatch" status) will aid in accelerating the development and utilization of indigenous RE resources and reduce dependence on imported conventional energy resources, thereby minimizing the country's exposure to price fluctuations in the global markets, and making the supply and delivery of electric power more stable and secured from international incidents, such as the conflict between Russia and Ukraine, which caused delays and disruptions in the global supply value chain and price increase in imported fuels¹;

WHEREAS, the development and full utilization of RE will support the country's efforts to achieve its Nationally Determined Contribution Targets that are primarily based on RE policies and programs, among others;

WHEREAS, the grant of Preferential Dispatch status in the WESM to all generating units utilizing RE resources will reduce the market settlement prices, based on the study conducted by the DOE, in partnership with the Clean, Affordable and Secure Energy for Southeast Asia (CASE) Project²; and

WHEREAS, the DOE conducted virtual public consultations regarding various RE-related policies, which include this Circular, on 18 and 21 March 2022 for Luzon and Visayas, and Mindanao, respectively.

¹ *Baclig, C. E.* (2022, 02 March 2022). Putin's war on Ukraine and impact on PH prices. *Philippine Daily Inquirer*. Retrieved from <https://newsinfo.inquirer.net/1562204/putins-war-on-ukraine-and-impact-on-ph-prices#ixzz7Qn6x4rOL>

² A project funded by the German Federal Ministry for the Environment, Nature Conservation, Nuclear Safety and Consumer Protection (BMUV) and implemented by the Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ) and the Institute for Climate and Sustainable Cities.

NOW THEREFORE, in consideration of the above premises, the DOE hereby issues and promulgates this Circular.

PART 1. GENERAL PROVISIONS

Section 1. Short Title. This Circular shall be known as the "Preferential Dispatch of all Generating Units Utilizing RE Resources in the WESM."

Section 2. Coverage. The amended Preferential Dispatch classifications, as defined in Section 3 hereof, shall cover all existing and new RE generating units.

Section 3. Must Dispatch and Priority Dispatch, Defined. The definitions of Must Dispatch and Priority Dispatch, are hereby amended as follows:

- a. "Must Dispatch" is facilitated in the WESM for qualified and registered intermittent or variable RE-based plants, which include wind, solar, run-of-river hydro, and ocean energy power plants, according to the preference in the dispatch schedule whenever generation is available, pursuant to Section 20 of the RE Act.
- b. "Priority Dispatch" means giving the option or preference to all qualified and registered RE plants that are not Must Dispatch such as biomass, geothermal, and impounding hydro plants to enjoy preferential dispatch in the WESM, taking into consideration their contractual obligations with their respective customers.

Section 4. Priority Dispatch of Impounding Hydro Plants. The grant of Priority Dispatch status to impounding hydro plants, currently categorized as scheduled plants in the WESM, shall be at the option of the RE developer with due consideration to grid security and reliability, and its contractual obligations.

Section 5. Emerging RE Technologies. The DOE may grant Preferential Dispatch status to any future emerging RE technologies that may be approved by the DOE upon recommendation of the National Renewable Energy Board, which forms part of promoting energy transition towards energy security, energy self-sufficiency, and sustainability for the country. In such case, the provisions laid down in this Circular and the WESM Rules and Manuals, as updated pursuant hereto, shall be followed.

PART 2. STAKEHOLDER RESPONSIBILITIES

Section 6. To ensure the efficient and effective scheduling and dispatching of Preferential Dispatch generating units, the Market Operator (MO), WESM Governance Arm, System Operator (SO), and Distribution Utilities (DUs) shall have the following general mandates in the implementation of this DC:

Section 6.1. Responsibilities of the MO

- a. Propose necessary amendments in the WESM Rules and Manuals to implement the dispatch of all Preferential Dispatch generating units utilizing RE

resources in the WESM;

- b. Formulate the procedures for the qualification and registration of Preferential Dispatch generating units in the WESM;
- c. Conduct information campaigns on the implementation of Preferential Dispatch of all RE plants in the WESM;
- d. Report the annual compliance of RE generating companies' facilities on the forecast accuracy standards to the DOE;
- e. Jointly with the SO, implement technical mitigation measures and improvements in the system to ensure security and reliability of the electricity transmission system; and
- f. Regularly review, assess, and update WESM Rules and Manuals to ensure that the provisions of the RE Act and existing rules and regulations are implemented.

Section 6.2. Responsibility of the WESM Governance Arm

- a. Monitor compliance of variable RE generation companies on the submission of projected output for each of its generating units, pursuant to WESM Rules and the approved forecast accuracy standards consistent with the Philippine Grid Code (PGC).

Section 6.3. Responsibilities of the SO

- a. With due consideration to grid security, ensure the maximum penetration of variable RE-based power plants or Must Dispatch generating units in the grid;
- b. Ensure maximum dispatch of generation from variable RE plants in accordance with the PGC, and ensure the availability of sufficient operating reserves, consistent with Sections 4 and 5 of DOE DC No. DC2019-12-0018, entitled *"Adopting a General Framework Governing the Provision and Utilization of Ancillary Services in the Grid"*;
- c. Jointly with the MO, implement technical mitigation measures and improvements in the system to ensure security and reliability of the electricity transmission system;
- d. Require and witness the conduct of technical tests to ensure generators' compliance with the performance standards as prescribed in the PGC;
- e. Produce and submit to the MO the RE aggregated generation forecast for each interconnected system it operates within the period prescribed in the WESM Rules;
- f. Endeavor to operate the Must Dispatch generating units in free active power production control mode. However, if the SO considers it necessary for

redispatch to maintain the security and reliability of the grid, the SO may instruct intermittent RE-based generators to change the active power or immediate disconnection of their generators as prescribed in the PGC;

- g. Submit to the MO an operational report including all instructions issued to the generators which resulted in a change in the active power production;
- h. Always consider technical parameters and limitations of the transmission facilities giving priority to the security and reliability of the grid during its dispatch schedule and implementation; and
- i. Determine and incorporate in the Transmission Development Plan the necessary upgrading and/or expansion of its transmission facilities to ensure non-discriminatory access of all grid-connected Preferential Dispatch generating units.

Section 6.4. Responsibilities of DUs

- a. Determine and incorporate in the Distribution Development Plan the necessary upgrading and/or expansion of its distribution facilities to ensure efficient and non-discriminatory access of all embedded Preferential Dispatch generating units; and
- b. Ensure that embedded Preferential Dispatch generating units shall be given priority to inject to the distribution network.

Section 6.5 Compliance with the WESM Rules. All Preferential Dispatch generating units and their respective owners, officers, and operators shall strictly comply with the WESM Rules.

PART 3. FINAL PROVISIONS

Section 7. Prohibited Act. Pursuant to Section 35(e) of the RE Act, non-compliance or violation of this Circular shall be subject to applicable penalties provided under the RE Act and its Implementing Rules and Regulations (IRR).

Section 8. Information, Education and Communication. Pursuant to Section 31(i) of the IRR of the RE Act, the DOE, through the Renewable Energy Management Bureau, shall develop and implement information, education, and communication programs to increase awareness and appreciation of all RE stakeholders of this Circular.

Section 9. Separability Clause. If any provision of this Circular is declared invalid or unconstitutional, the other provisions that are not affected shall remain valid and subsisting.

Section 10. Repealing Clause. Any prior issuances, orders, or circulars inconsistent with this Circular are hereby repealed, amended, or modified accordingly.

Section 11. Effectivity. This Circular shall take effect fifteen (15) days after its publication in two (2) newspapers of general circulation. Copies of this DC shall be filed with the University of the Philippines Law Center – Office of the National Administrative Register.

Issued on _____ at the Department of Energy, Fort Bonifacio, Taguig City, Metro Manila.


RAPHAEL P.M. LOTILLA
Secretary

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