

Energy

Annual

Report

2017

RCOA

Nine-Point Energy Agenda

E-Power Ma Conference

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Department of Energy

MANDATE The Department is mandated by Republic Act No. 7638 (Department of Energy Act of 1992) “to prepare, integrate, coordinate, supervise and control all plans, programs, projects and activities to energy exploration, development, utilization, distribution and conservation”

VISION A globally-competitive DOE powering up Filipino communities through clean, efficient, robust and sustainable energy systems that will create wealth, propel industries and transform the lives of men and women and the generations to come.

MISSION We at the Department of Energy, in partnership with our stakeholders, shall improve the quality of life of the Filipino by formulating and implementing policies and programs to ensure sustainable, stable, secure, sufficient, accessible and reasonably-priced energy. In pursuit of this mission, we commit to render efficient service with utmost dignity.

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Message

from the DOE Secretary

I am pleased to share the Department of Energy's (DOE) Energy Annual Report (EAR) for 2017.

From day one, we have been striving to realize the goal of the Duterte Administration to bring light to each and every Filipino – light that enables our children to study at night leading them closer to brighter futures, light that tightens our bonds as we celebrate our daily triumphs, big or small, with family and friends, and light that powers our industries needed to propel our country to greater heights.

We have come a long way since then. The past year turned out to be both challenging and productive for the Department as you will read in the report.

We have worked hard to identify crucial areas of concern which required not only immediate, but lasting solutions. In the field of investment, we have long been aware of the adverse impact of red tape on energy infrastructure. Hence, the government's issuance of Executive Order No. 30 is a victory for our energy sector as faster project approval would attract more investors to build energy projects in the Philippines.

With change at the heart of our governance, we continuously strive to be dauntless in implementing innovative approaches to secure our energy future. The DOE launched



the E-Power Mo campaign which takes a more inclusive stance in crafting our energy agenda by welcoming the active participation of other government agencies, members of the private sector and academe, as well as consumers in effective and efficient energy utilization and development.

The EAR accounts for how we have come in 2017. It also shows us how much further we need to go. I am grateful for the unwavering support of the entire energy family and all our energy partners. The strides we have made are testament to what we could accomplish if we work together.

I call for your continued cooperation as much more work lies ahead of us. Rest assured that as this report's name suggests, I would always lend an ear to your invaluable contributions as we endeavor to provide quality, reliable, secure, and affordable power to the Filipino people.



ALFONSO G. CUSI

Secretary

Department of Energy

Message

from the ERC Chairperson

On behalf of the Energy Regulatory Commission, I extend my warmest greetings to the officers and staff of the Department of Energy on the publication of your Energy Annual Report.

As public servants, we are constitutionally mandated to abide by the principle: public service is a public trust. We owe the utmost fidelity to public service. To this end, we must embrace the values of transparency and accountability as a consistent measure of good governance.

With this in mind, it is an honor to share our accomplishments. We have included all of our milestones in 2017, contributing to our shared objectives of providing affordable electricity to the public without compromising the competitive operations in the energy market.

To the men and women of the DOE, may this publication reinvigorate your energy in promoting reliable and affordable electricity anchoring on the principles of public service, utmost fidelity, and transparency. ERC is one with you in this goal. Together, we will uphold our country's economic growth and help raise the quality of life of our people.



A handwritten signature in black ink, appearing to read 'Agnes VST Devanadera'.

AGNES VST DEVANADERA

Chairperson and CEO

Energy Regulatory Commission

Executive Summary

By Director Cesar G. dela Fuente III



Quality, reliable, secure, and affordable power throughout the entire archipelago will be the backbone of a vibrant and robust Philippine economy.

To this end, the Department of Energy (DOE) remains resolute in initiating proactive policies attuned to the ever-changing energy landscape.

The 2017 Energy Annual Report (EAR) outlines the progress effected by the Department and the members of the energy family in its mission to steer the country closer towards sustained prosperity and security.

Faithful to his oath to crack down on red tape, the President signed Executive Order (EO) No. 30, a milestone achievement for the energy sector, streamlining the processes and implementation of energy projects. The EO is expected to usher increased investments in energy infrastructure augmenting the country's energy supply base. This would also translate to increased job creation and enhanced consumer benefits.

The Philippines is vulnerable to natural and human-induced hazards. The DOE, as one of the members of the National Disaster Risk Reduction and Management Council, strongly supports the government's focus on reinforcing the country's disaster resiliency.

To maintain the continued delivery of services in the event of a calamity, the DOE is relentless in pursuing an energy resiliency policy that will strengthen existing energy infrastructures and require all industry players to put the mainstreaming of disaster risk reduction programs at the forefront of their planning and investment.

In the field of international energy cooperation, the DOE had the opportunity to chair the 35th ASEAN Ministers on Energy Meeting and its associated meetings, as well as host the various sub-sector network assemblies with the theme, "One ASEAN Community through Resilient and Sustainable Energy."

The DOE likewise participated in the Asia Pacific Economic Cooperation (APEC) Energy Working Group Meetings and hosted the Asia Cooperation Dialogue (ACD) Conference in Bohol. During the conference, ACD member countries exchanged best practices and developments during the various energy thematic sessions on renewable energy and clean energy markets, natural gas, a low carbon future and nuclear energy.

In powering the nation, the DOE is continuously working to enhance the implemented tasks mandated by the Electric Power Industry Reform Act (EPIRA).

WESM Mindanao's establishment is a breakthrough that would uphold the transparent utilization and efficient dispatch of available resources needed to ensure sufficient electricity supply in the region.

The implementation of the Retail Competition and Open Access (RCOA) program will provide consumers the privilege to select their electricity provider based on the quality of service and preferred price. In the event of unsatisfactory performance, RCOA program would allow consumers to switch to another provider at any time.

The Department remains at the fore of key policies, which include the implementation of the Nationwide Intensification of Household Electrification, Renewable Portfolio Standards, Green Energy Options, and the Energy Regulation 1-94 Program.

Innovation is integral to the DOE's response to the advances in the energy sector. The launch of the *E-Power Mo* Campaign underscored the value of an inclusive approach towards energy security and development.

E-Power Mo and its sub-campaigns of *E-Safety Mo*, *E-Secure Mo* and *E-Diskarte Mo* demonstrate that shaping the energy future of the country does not depend on the DOE alone, but on the combined efforts of all energy stakeholders.



Tireless in its efforts to provide reliable and affordable power to the people, the DOE was unafraid to consider the feasibility of using nuclear power as an energy source and created the Nuclear Energy Program Implementing Organization (NEPIO). After thorough proposal evaluations, as well as a comprehensive reassessment of the mothballed Bataan Nuclear Power Plant, the DOE incorporated the creation of a nuclear program into the Philippine Energy Plan 2017-2040.

The DOE remains firm in the stringent monitoring of the energy industry's compliance to reliability standards to uphold the interest of consumers. To address increased concerns over fuel integrity, the Department conducted random facility inspections and sample testing to confirm adherence to national standards.

Loyal in its service to the Filipino people, the DOE sought for the immediate re-energization of Marawi in the aftermath of the city's siege. With the help of the energy family and other government agencies, solar lamps and streetlights were turned over to *Task Force Bangon Marawi* and the Lanao del Sur Electric Cooperative. The Department is actively involved in the rehabilitation efforts to date.





ENERGY PLANS & POLICIES

Development of long-term and sustainable energy policies, plans and programs to address the energy requirements of all economic sectors

Energy Sector Strategic Directions

In line with President Rodrigo R. Duterte’s *AmBisyon Natin 2040*, which envisions a “strongly-rooted, comfortable, and secure life” for all Filipinos by the year 2040, the DOE laid down eight Energy Sector Strategic Directions (ESSDs) to set the tone of the Department’s policy track for the next 22 years.

Under the guidance of the ESSDs, the DOE aims to achieve the following indicative targets that have been set forth in its nine-point energy agenda:

1. basic electricity access for all Filipinos by 2022;
2. adoption of a technology-neutral approach to achieve an optimal energy mix;
3. improvement of power supply reliability to meet demand needs by 2040;
4. development of liquefied natural gas (LNG) in anticipation of the forthcoming depletion of Malampaya Gas;
5. facilitate the completion of transmission projects by 2020;
6. a pro-consumer distribution framework for affordability, choice and transparency;
7. streamlining of domestic policy to cut red tape;
8. privatization of the Power Sector Assets and Liabilities Management Corporation; and
9. promotion of efficient energy use among consumers through Information, Education and Communication (IEC) campaigns.



Executive Order No. 30

A landmark development in the energy sector is the issuance of Executive Order (EO) No. 30 entitled, “Creating the Energy Investment Coordinating Council (EICC) to Streamline the Regulatory Procedures Affecting Energy Projects,” signed by President Duterte on 28 June 2017.

The DOE is at the forefront of the EICC to ensure the efficient and effective implementation of energy projects classified to be of national significance. Government agencies are now required to act upon major energy project applications within a 30-day period. In addition, "the presumption of prior approvals" expedites the previously tedious procedure by allowing agencies to process said applications without waiting for the action of other government bodies.

Philippine Energy Plan 2017-2040

The Philippine Energy Plan (PEP) 2017-2040 is the DOE's blueprint to secure the country's energy future. It was created after a thorough review of the current energy agenda and the inclusion of inputs from regional consultations and IECs conducted by the Department. The formulation of the PEP paved the way for the identification of sectoral energy

roadmaps vital to increased energy access and security.

By 2040, the PEP sectoral roadmaps intend to:

- increase renewable energy (RE) installed capacity to at least 20,000 megawatts (MW)
- increase reserves and production of local oil, gas and coal
- deliver quality, reliable, affordable, and secure power supply; expanded access to electricity; and a transparent and fair power sector playing field
- provide nationwide electricity access
- improve downstream oil industry policies for the continuous supply of high quality and quantity petroleum products
- establish a world class and investment driven natural gas industry in the Philippines
- secure stable energy supply through a technology responsive energy sector
- reduce energy intensity and consumption

The PEP will likewise be the basis for the certification of energy projects as projects of national significance, as provided for in EO No. 30.

Policy on Resiliency Planning and Program

The Philippines is among the most disaster vulnerable countries in the world. Hence, the DOE prioritized the creation of an energy resiliency policy requiring all energy players to mainstream disaster risk reduction programs into planning and investment. This would safeguard the delivery of energy services and strengthen existing energy infrastructure.

The “Adoption of Resiliency Planning and Program in the Energy Industry to Mitigate Adverse Effects Brought About by Disasters” is guided by the following principles:

1. acknowledgment of the need to strengthen existing energy

infrastructure, facilities and systems to prepare/mitigate the impact of disasters;

2. *Build Back Better* in the reconstruction and rehabilitation of damaged infrastructure;
3. improvement of existing operational and maintenance procedures to preserve energy supply and assure continued operations; and the
4. development of resiliency practices, systems and standards as future basis for the construction of energy facilities.

Said policy was formally presented on 12 July 2017 at the E-Power Mo: Energy Consumers and Stakeholders Conference held at the Philippine International Convention Center in Pasay City. In October 2017, a series of nationwide public consultations with various energy stakeholders were conducted in Batangas City for Luzon, Tacloban City for the Visayas and Cagayan de Oro City for Mindanao.



The DOE Energy Policy and Planning Bureau in coordination with the USAID B-LEADERS Project conducted a series of Public Consultations on the Energy Resiliency Policy in the 4th quarter of 2017.

Transmission Development Plan Composite Team

To review and update existing policies in the Transmission Development Plan (TDP), the Department created the TDP Composite Team. It is composed of the DOE, the National Grid Corporation of the Philippines and the National Transmission Corporation.

Streamlining of the RE Application Process

The evaluation period of RE applications has been significantly shortened under Department Order No. DO2017-04-0005, "Prescribing the New Guidelines in the Processing of Applications for Renewable Energy Service/Operating Contracts," signed on 7 April 2017.

The RE-Review and Evaluation Committee (RE-REC) Secretariat now distributes copies of an RE contract application to the DOE's Legal Services, Renewable Energy Management Bureau and Financial Services within one day of receipt. The resulting simultaneous review of contracts has reduced the previous evaluation period of 15 days to a mere five.

Efforts Against Adulterated "Bote-Bote" Fuels

The sale of gasoline and diesel using inappropriate containers to tricycles and jeepneys or the so-called "bote-bote" system of retailing, specifically in the countryside may soon become a thing of the past with the crafting of new policies to further strengthen the country's downstream oil industry.

DOE Department Circular 2017-11-0011 otherwise known as the "Revised Retail Rules" aims to safeguard the welfare of the consumers against unsafe and sub-standard method of retailing liquid petroleum products. It promotes Technology-solution Retail Outlet, which is a result of emerging technologies that will address the fuel requirements of those catered by the "bote-bote" in a safe manner. It likewise seeks to encourage industry players to improve their services and products in an environment of fair and equal playing field.

Said developments affirm the need to cater to the dynamic segment of the transport industry, the tricycle drivers and operators, and those living in remote areas.



As everything is in constant flux, every policy should likewise be suitable in every course of time as the ultimate goal is not only for the benefit of industry players but most importantly, the Filipino people.

Secretary Alfonso G. Cusi



Code of Safety Practices for LPG Refilling Plant

Another policy, unveiled as part of the celebration of the National Energy Consciousness Month (NECM) in December 2017 is the Code of Safety Practices for LPG Refilling Plant.

This policy aims to safeguard the welfare of the consumers against the unscrupulous trading of petroleum products by establishing regulations on emerging and expanding technologies in the retail of liquid fuels and more stringent measures for safe LPG manufacturing and use. It likewise seeks to encourage industry players to improve their services and products.

Philippine Downstream Natural Gas Regulation

Department Circular No. DC2017-11-0012, "Philippine Downstream Natural Gas Regulation" (PDNGR), establishes the rules and regulations governing the downstream natural gas industry in the country. This includes infrastructure siting, design, construction, expansion, modification, operation, and maintenance. It also seeks to ensure the continued operations of other gas-fired power plants once Malampaya runs dry.

In addition to promoting the use of natural gas to meet the growing energy demands in Asia Pacific, PDNGR also

intends to transform the country as a regional LNG trading and transshipment hub.

Philippine Conventional Energy Contracting Program

The Philippine Conventional Energy Contracting Program (PCECP) aims to maximize the exploration and development of indigenous petroleum and coal resources through the transparent and competitive evaluation, as well as awarding of petroleum service and coal operating contracts.

The PCECP is a new scheme for prospective investors in coal and petroleum exploration, which enables them to apply for service/operating contracts anywhere in the country at any given time. Processing time from the opening of an application to the awarding of a service/operating contract takes only 30 working days.

On 13 September 2017, the PCECP for Coal has already been issued through Department Circular No. DC2017-09-0010.¹

¹ The Circular was published on 6 October 2017 in Philippine Star and Manila Times. It was entered into the registry of the UP Law Center on 12 October 2017.



Organizers, guests and participants of the public consultation on the draft RPS rules and guidelines held at the DOE Multi-purpose Hall, on 11 August 2017. The consultation was headed by NREB Chairman Layug.

Renewable Portfolio Standards

On-grid

The Renewable Portfolio Standards (RPS) mechanism aims to assist the development of the Philippine RE industry. With the RPS, electric power industry participants such as generation companies, distribution utilities (DUs) and suppliers are required to source or produce a specified fraction of their electricity from eligible RE Resources.

Said RPS Rules target to restore RE share in the national energy mix to 35% in MWh by 2030 to 2040.

On 22 December 2017, the Philippine On-Grid RPS Rules was published through Department Circular No. DO2017-12-0015.

Off-Grid

For Off-Grid areas, the National Power Corporation-Small Power Utilities Group (NPC-SPUG), or its successors-in-interest and/or qualified third parties, are required to source a minimum percentage of its total annual generation, upon the recommendation of the National Renewable Energy Board (NREB), from available RE resources in the area concerned, as may be determined by the DOE.

The RPS Rules for Off-Grid Areas drafted by the NREB is currently in circulation for comments.

In October 2017, the NREB also conducted nationwide public consultations in the cities of Batangas, Puerto Princesa and Cagayan de Oro.



Secretary Cusi speaking before power stakeholders at the launch of WESM Mindanao in Lanang, Davao City.

Green Energy Option

The Green Energy Option (GEOP) is provided for by the Renewable Energy Act of 2008. GEOP empowers end-users with the ability to choose RE for their energy requirements through the DUs. In August 2017, the NREB endorsed the GEOP draft. Nationwide public consultations were conducted the following month in Bacolod City, Davao City and Metro Manila.

Wholesale Electricity Spot Market Mindanao

On 4 May 2017, the DOE issued Department Circular No. DC2017-05-0009, declaring the launch of the Wholesale Electricity Spot Market

(WESM) in Mindanao and its transition guidelines.

WESM Mindanao was formally launched on 26 June 2017, together with its Trial Operations Program (TOP). The TOP intends to prepare Mindanao's power industry for its eventual integration into the WESM. The program will run until WESM Mindanao's full commercial operation, to be declared upon its compliance with the criteria set forth in the circular.

The DOE has also prepared the policy creating its Transition Committee, to be composed of stakeholders and independent members from the region. The Transition Committee will oversee the smooth implementation of WESM Mindanao. A public consultation on the

draft circular was conducted in December 2017.

Establishment of an Independent Market Operator

The Electric Power Industry Reform Act (EPIRA) of 2001 calls for the establishment of an Independent Market Operator (IMO) to ensure the competitiveness and transparency of the WESM.

In this regard, the DOE drafted the circular, "Adopting Policies for the Effective and Efficient Transition to the IMO for the Wholesale Electricity Spot Market", which lays down the general policies for the Philippine Electricity Market Corporation (PEMC) to abide by in establishing the IMO. This includes its organizational structure, as well as the composition, selection, qualifications, and responsibilities of the IMO Board.

WESM Design Enhancement

The DOE has enacted changes to the WESM Rules and Market Manuals to implement design enhancements that will transition the spot market's trading interval from one hour to five minutes.

Another design enhancement is the upgrading of its market management system for the automation of various processes such as pricing reruns that would provide real-time price

adjustments in cases of market pricing errors, the monitoring of non-compliance to schedules and must-offer requirements, and nodal short-term demand forecasting.

Retail Competition and Open Access

In November 2017, the DOE issued two circulars, Department Circular Nos. DC2017-12-0013 and DC2017-12-0014, to provide immediate guidance to the energy players and contestable consumers affected by the temporary restraining order issued by the Supreme Court on the pre-existing Retail Competition and Open Access (RCOA) scheme.

The first circular prescribes the guidelines for the voluntary participation of contestable consumers in the retail market. It likewise indicates that the DOE and the Energy Regulatory Commission (ERC) would continue to issue policies and conduct annual reviews that would enable full RCOA implementation until household-demand levels are met.

On the other hand, the second circular allows DUs to engage contestable customers within their franchise areas as local retail electricity suppliers (RES) upon being licensed by the ERC. They are also subject to business unbundling requirements.



The DOE together with various power stakeholders conducted a 3-day intensive workshop on the appropriate conduct of the performance assessment and audit of the entire power supply chain

Performance Assessment and Audit

Department Circular No. DC2017-05-0008, “Providing for the Policies and Guidelines on the Conduct of Performance Assessment and Audit for All Power Generation, Transmission and Distribution Systems and Facilities”, took effect on 24 May 2017.

For comprehensive evaluation, said performance assessment and audit will be conducted regularly with the support of relevant government agencies.

Department Circular No. DC2017-12-0006, “Adopting the Guidelines for the Performance Assessment and Audit of All Power Generation, Transmission and Distribution Systems and Facilities,” was signed on 28 December 2017 for accomplishment in 2018.

Competitive Selection Process

The DOE supports competition in the energy industry to lower power rates. Thus, the Department is working very hard with the ERC to establish a revised set of Competitive Selection Process (CSP) guidelines that are both effective and transparent.

Anchored on ensuring supply security, transparency and the reasonable cost of electricity, the revised guidelines shall provide for the following:

- DUs shall form a Third Party Bids and Awards Committee (TPBAC) or Joint TPBAC, to undertake the CSP. In lieu of a TPBAC or a Joint TPBAC, the DU may opt to engage a Third Party Auctioneer (TPA) to conduct and manage the CSP in accordance with the CSP Policy. The ERC shall

provide the guidelines for the accreditation of TPAs.

- CSPs can only be undertaken in accordance with the DU's Power Supply Procurement Management Plan, which shall be posted on the DOE website.
- In the interest of transparency, all stages and information on the CSP will be made available to the public through the DOE website.

Nationwide Intensification of Household Electrification

To support the government's goal to achieve total electrification in the country, the DOE launched the Nationwide Intensification of Household Electrification (NIHE) in partnership with DUs and Local Government Units (LGUs). The NIHE is a locally-funded project covering the period 2015-2017, providing grant assistance funds to give eligible households increased access to electricity services.

To provide basic electricity service, household beneficiaries are granted a PhP3,750 per household subsidy, inclusive of the minimum house wiring cost.

As of December 2017, the Department has approved a total of 35 project proposals amounting to PhP720,303,750. A total of 192,081 households stand to

benefit from the approved project proposals.

Actual house wiring connections have already been installed in 35,014 households. Of this total, 29,916 households are already energized with the installation of kWh meters as of 31 August 2017.

Energy Regulation No. 1-94 Program

In 2017, the Energy Regulation No. 1-94 (ER1-94) Program remained at the forefront of providing projects for the development needs of communities hosting energy projects.

The DOE was able to fund 87 proposed projects to address the priority needs identified by the host communities. ER1-94's Electrification Fund; Development and Livelihood Fund; Reforestation Watershed Management Fund; and Health and/or Environment Enhancement Fund enabled the Department to extend almost PhP162 million of project funding.

ER1-94 also provided funding assistance to Electric Cooperatives (ECs) namely, Bantayan Electric Cooperative, Inc. (BANELCO) and Cebu II Electric Cooperative, Inc. (CEBECO II), which were badly affected by Typhoon Yolanda. Under the Photovoltaic Mainstreaming Project, 534 solar home

systems were rehabilitated, amounting to PhP6,633,982 of funding assistance.

Private Sector Participation in Remote and Unviable Areas: Qualified Third-Party Program

Rule 14 of the EPIRA introduced the Qualified Third Party (QTP) Program to allow private sector participation, as alternative service providers in areas deemed unviable by the DUs.

There are currently four QTP Projects that are already operational and managed by two private firms namely, Powersource Philippines, Inc. and Sabang Renewable Energy Corporation. The DOE will post a Public Notice for the declaration of waived areas in the first quarter of 2018.

The Department is likewise working on a draft circular amending previous QTP circulars to streamline the processes and guidelines for the participation of QTPs in remote/missionary electrification.

International Energy Cooperation

The DOE forges strong international partnerships through bilateral and multilateral cooperation.

Energy Data and Statistics

In accounting for energy supply and demand, the DOE has adopted the system of energy balance, which is a database for generating relevant energy statistics.

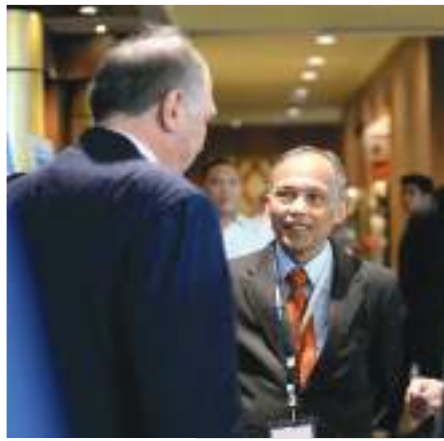
 <p>ASEAN</p>	<ul style="list-style-type: none"> ▪ Chaired the 35th ASEAN Ministers on Energy Meeting ▪ Hosted various annual ASEAN sub-sector network meetings and capacity building activities ▪ Conducted 35th Senior Officials Meeting on Energy and Associated Meetings
 <p>APEC</p>	<ul style="list-style-type: none"> • Participated in the 53rd Energy Working Group Meeting in Singapore • Participated in the 54th Energy Working Group Meeting in Wellington, New Zealand
 <p>ACD</p>	<ul style="list-style-type: none"> • Participated in the 15th ACD Ministerial Meeting in Abu Dhabi, United Arab Emirates • Hosted the ACD Conference Towards Energy Security, Sustainability and Resiliency and the 2nd ACD Energy Working Group Meeting in Panglao Island, Bohol
 <p>BIMP-EAGA</p>	<ul style="list-style-type: none"> • Current chair of the BIMP-EAGA Power and Energy Infrastructure Cluster (PEIC) • Chaired the 5th Annual Meeting of the PEIC

The Department, as the repository of energy data and statistics in the country provides primary data such as:

- primary energy supply by source
- power generation by source
- final energy consumption by fuel and sector
- energy and power self-sufficiency levels
- fossil fuel volume, production levels, importation, exportation, sales, consumption, and end-use demand by sector
- renewable energy and alternative fuel volume, production and consumption levels, and relevant technology
- power statistics, including generation, sales and consumption by sector, capacity and list of power facilities
- greenhouse gas (GHG) emission in the energy sector by economic sector.

ENERGY BALANCE TABLE (in KTOE), 2016

	Coal	Natgas	Oil & Oil Products	Hydro	Geothermal	Solar	Wind	Biomass	Biodiesel	BioEthanol	Electricity	Total
Indigeneous	5,917.30	3,269.88	702.44	2,019.15	9,518.83	94.33	83.85	7,493.96	178.29	126.81	-	29,404.83
Imports (+)	10,571.68	-	21,453.97	-	-	-	-	-	-	145.06	-	32,170.71
Exports (-)	(3,607.28)	-	(1,918.97)	-	-	-	-	-	-	-	-	(5,526.25)
International Marine Bunkers (-)	-	-	(49.78)	-	-	-	-	-	-	-	-	(49.78)
International Civil Aviation (-)	-	-	(1,295.63)	-	-	-	-	-	-	-	-	(1,295.63)
Stock Change (+/-)	(1,195.88)	-	(345.16)	-	-	-	-	-	(10.46)	37.08	-	(1,514.42)
Total Primary Energy Supply	11,685.82	3,269.88	18,546.87	2,019.15	9,518.83	94.33	83.85	7,493.96	167.82	308.95	-	53,189.46
Refinery (Crude Run)	-	-	(555.83)	-	-	-	-	-	-	-	-	(555.83)
Power Generation (Fuel Input)	(10,232.00)	(3,082.44)	(1,230.49)	(2,019.15)	(9,518.83)	(94.33)	(83.85)	(281.94)	(9.39)	-	7,807.21	(18,745.20)
Transmission/Dist. Loss (-)	-	-	-	-	-	-	-	-	-	-	(712.50)	(712.50)
Energy Sector Use & Loss (-)	-	(122.65)	(121.31)	-	-	-	-	-	-	-	(718.60)	(962.56)
Net Domestic Supply	1,453.82	64.80	16,639.24	-	-	-	-	7,212.01	158.44	308.95	6,376.12	32,213.37
Statistical Difference												(1,319.71)
% Statistical Difference												(4.10)
Total Final Energy Consumption	2,852.14	64.80	16,560.63	-	-	-	-	7,212.01	158.44	308.95	6,376.12	33,533.08
INDUSTRY	2,674.76	64.80	1,457.54	-	-	-	-	1,163.51	12.66	-	2,073.82	7,447.09
TRANSPORT	-	-	11,880.54	-	-	-	-	-	121.00	308.95	8.81	12,319.30
RESIDENTIAL	-	-	1,122.42	-	-	-	-	5,708.59	-	-	2,203.89	9,034.90
COMMERCIAL	-	-	1,632.33	-	-	-	-	339.91	20.63	-	1,871.90	3,864.77
AGRICULTURE	-	-	228.60	-	-	-	-	-	4.14	-	217.69	450.44
OTHERS, NON-ENERGY USE	177.38	-	239.20	-	-	-	-	-	-	-	-	416.58
Self-Sufficiency												55.28



ENERGY SECTOR INNOVATION

Advance energy sector innovation through the implementation of technology roadmaps that are responsive to global energy challenges

E-Power Mo Campaign

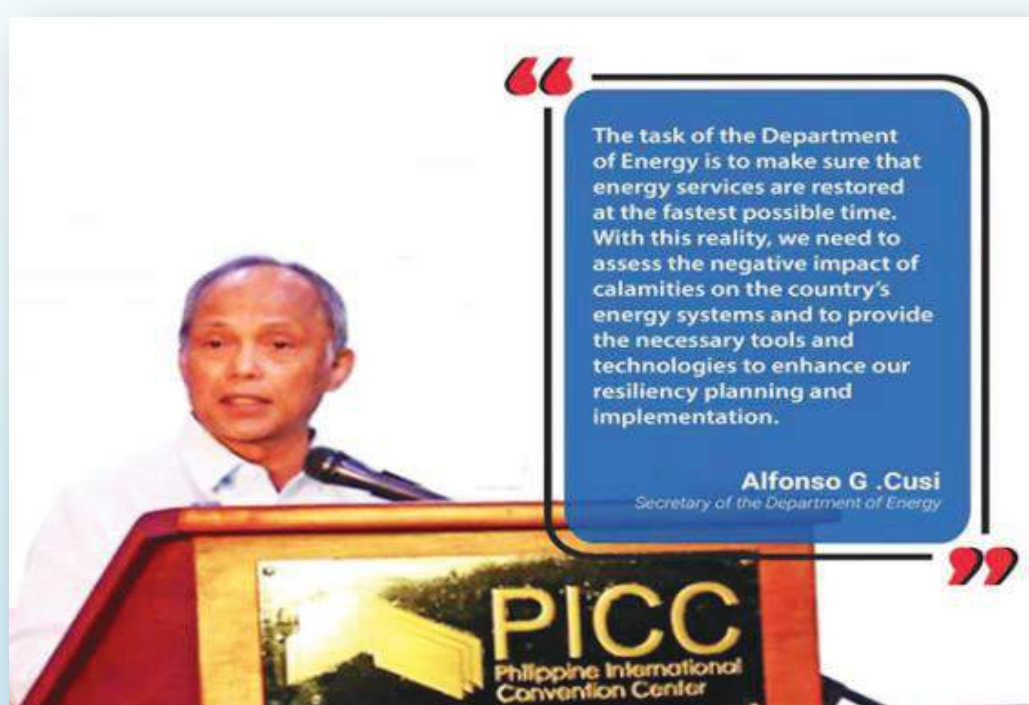
In partnership with the Presidential Communications Operations Office, the Philippine Information Agency and the United States Agency for International Development's (USAID) Building Low Emission Alternatives to Develop Economic Resilience and Sustainability (B-LEADERS) Project, the DOE initiated the E-Power Mo campaign.

The campaign takes on a more inclusive approach in securing the country's energy future by calling for the participation of all energy stakeholders - government agencies, members of the private sector and the academe, as well as consumers in developing and utilizing energy resources.

E-Power Mo consists of three sub-campaigns:

- *E-Safety Mo* reminds consumers of safety measures to be used and the promotion of energy savings through efficient energy use;
- *E-Secure Mo* safeguards the delivery of quality, reliable and affordable energy services; it also supports the energy resiliency efforts of the government; and
- *E-Diskarte Mo* empowers consumers with a wide range of options in utilizing conventional, renewable and alternative energy sources by utilizing current and emerging energy systems being pursued by the DOE

The campaign was launched on 12 July 2017 during the Energy Consumers and Stakeholders Conference held at the Philippine International Convention Center, which was attended by 800 participants.





Secretary Cusi and Rosatom Deputy Director General Spassky signs a Memorandum of Cooperation (MOC) for a nuclear deal between Russia and the Philippines. The signing was witnessed by President Duterte and Russian Prime Minister Medvedev.

As part of its nationwide implementation, the second and third legs of the campaign were included in the Energy Investment Fora held in the cities of Cebu on 7 September 2017 and Davao on 3 October 2017.

Nuclear Energy Program Implementing Organization

The DOE in partnership with the Philippine Nuclear Research Institute (PNRI) was able to request for the technical assistance of the International Atomic Energy Agency (IAEA) to assess the feasibility of utilizing nuclear power in the country.

The IAEA launched a technical cooperation project, IAEA TC-PHI2011 “Assessing the Development of Nuclear Power Program in the Philippines (Phase I).”

Its main components are to develop the following:

1. energy planning studies
2. self-assessment of nuclear infrastructure areas
3. a communication plan for the public and stakeholder involvement
4. a human resource plan



We stand behind the President’s pronouncements on ensuring the safer utilization of all energy sources, especially with the renewed interest on nuclear energy as possible option for the Philippines.

Secretary Alfonso G. Cusi



During the 2016 IAEA Conference on the Prospects of Nuclear Power in the Asia Pacific Region held in Manila, the DOE created the Nuclear Energy Program Implementing Organization (NEPIO) for the effective execution of the technical cooperation project's programs.

Following NEPIO's careful evaluation of the proposals for the possible rehabilitation of the Bataan Nuclear Power Plant, the DOE and the Russian Federation State Atomic Energy Corporation (ROSATOM) signed a Memorandum of Cooperation (MOC) on 13 November 2017 as part of the 12th East Asia Summit in Manila.

The IAEA established a second technical cooperation project for the period 2018-2019, TCP-PHI2016003 "Development of Nuclear Infrastructure in the Philippines (Phase II)." Phase II aims to provide support to the Philippine government's creation of a nuclear program. The

project's main components include:

1. the development of nuclear infrastructures;
2. the enhancement of energy planning studies; and
3. the development of a public communication strategy and capability to address negative perceptions on nuclear power

Energy Efficient Hybrid Cars

The DOE endeavored to replace national government service vehicles with hybrid cars to promote energy efficiency and clean air across the country.

Twenty four units of the 2017 Toyota Prius were acquired through Japan's Non-Project Grant Aid. The 2017 Prius features an optimized fuel engine and electric motor to attain the highest level of energy efficiency. Eight hybrid cars will also be given to government offices in



Secretary Cusi and Japan Ambassador to the Philippines, H.E. Kazuhide Ishikawa, test drives a hybrid car during the Opening Ceremonies of the National Energy Consciousness Month.

Region VIII to support the economic and social recovery of communities devastated by Typhoon Yolanda.

Fuel Economy Run

On 20 to 21 November 2017, the DOE in coordination with Petron Corporation conducted the 13th DOE Fuel Economy Run in Clark, Pampanga. The Fuel Economy Run is part of the DOE's ongoing efforts to promote awareness on fuel-efficient vehicle technology.

A total of 55 participants consisting of sedans, service utility vehicles, multi-purpose vehicles, and pickups from various car manufacturers joined the fuel economy run. Twenty-six vehicles ran on Petron Turbo Diesel, while another 26 vehicles ran on gasoline powered by 95-octane Petron XCS.

Energy Smart Kids Program

In 2017, the DOE produced 555 new “Energy Cost Busters” under its Energy Smart Kids (EnerKids) Program. EnerKids aims to increase youth awareness on energy matters in the hopes of making them smarter energy consumers in the future. Activities included lecture-presentations on energy basics, how energy is delivered to their homes and how to use energy safely and efficiently.

In support of the DOE's gender and development program, a series of career talks on Breaking Gender Stereotypes in the Energy Workforce, called ENEReady, were likewise held. The talks, which targeted senior high school students, presented the opportunities and benefits of joining the power sector.



Grade school students from Cembo Elementary School and their DOE mentors raise their fists in a show of support to the E-Power Mo Campaign after completing the Energy Smart Kids program on 15 August 2017



ENERGY SECTOR REGULATION

Strict monitoring of industry compliance to reliability standards

Promotion of a Low Carbon Future

1,198

AWARDED RENEWABLE ENERGY SERVICE CONTRACTS INCLUDING COR FOR OWN-USE (AS OF NOVEMBER 2017) SINCE THE ENACTMENT OF THE RENEWABLE ENERGY LAW

877

TOTAL RENEWABLE ENERGY PROJECTS

21,980^{MW}

POTENTIAL CAPACITY

4,715^{MW}

INSTALLED CAPACITY

10

BIOETHANOL PRODUCERS

282

REGISTERED CAPACITY (Million Liters/Yr)

10

BIODIESEL PRODUCERS

165

REGISTERED CAPACITY (Million Liters/Yr)

Rehabilitation of Energy Facilities in Marawi City

Under President Duterte's directive to *Rebuild Back Better* in Marawi, Secretary Cusi created an inter-agency group to ensure the city's rehabilitation

and afford its people an adequate means of livelihood.

On 16 December 2017, the DOE turned over 400 solar-powered lamps to *Task Force Bangon Marawi*, while 131 solar-powered streetlights were turned over to the Lanao del Sur Electric Cooperative, Inc. (LASURECO).

“

E-Powering Marawi is an endeavor of the energy family not just because we are mandated, but because this is the right thing to do.

Secretary Alfonso G. Cusi

”



Donated solar streetlights are assembled and tested by members of the DOE, LASURECO, Task Force Bangon Marawi and the military.

Consumer Protection Inspection Activities

Due to rising concerns over methanol blends, the DOE conducted various inspections and sampling of liquid petroleum products in various gasoline

stations and retail outlets nationwide. Said activities are part of the DOE's measures to ensure the compliance of energy players with existing national standards.



Undersecretary Marcos inspects a calibrating bucket to check compliance with standards for liquid petroleum products.



DOE's ATTACHED AGENCIES

Partners in delivering energy to the Filipino people



Philippine National Oil Company (PNOC)

Reorganization

In response to the DOE's major directives, PNOC is currently undergoing a major reorganization to be able to develop and operate the Batangas LNG Hub Project, the Batangas Energy Supply Base, and the PNOC Petrochemical Park in Bataan.

ISO Certification

PNOC has secured the ISO Certification 9001:2015 in October 2017. All the processes at PNOC, "Management of the Provision of Vital Energy Infrastructure Conducive to a Clean Environment and Balanced and Sustainable Economic Growth," have been found compliant with the requirements of the standard for a quality management system.

Batangas LNG Hub Project

The PNOC was mandated to be the flag carrier in realizing the PNOC Batangas LNG Hub Project. The project aims to establish a complete value chain LNG facility and ensure the supply of gas to the existing and future gas-fired power plants upon the termination of the Malampaya Service Contract in 2024 and beyond. The project components shall cover sourcing of the LNG supply, establishing LNG storage units, re-gasification, distribution facilities and a

power plant. The power plant shall serve as the project's social component, envisioned to produce cheaper electricity to supply Philippine Economic Zone Authority's identified industries and small power utilities groups (SPUG) areas.

The project is also envisioned to expand to other parts of the country where natural gas may be deemed necessary in the future, especially those that are not yet connected to the grid.

PNOC received and is evaluating eight unsolicited proposals for the PNOC LNG Hub Project.

Real Estate

PNOC has taken over the operations of the Energy Supply Base from its subsidiary, PNOC-EC, and continued the operation of the PNOC Petrochemical Park in Limay, Bataan. Continuous efforts have been exerted to maximize the use and operations of these properties by possibly partnering with companies involved in energy development and its allied activities.

The soon to rise Iconic Building Project, which will be located in the present Energy Center, has received immense interest from top international and local urban planners and architects. The mixed-use project is envisioned to be the main office of the DOE, PNOC and its subsidiaries, as well as the other attached agencies of the DOE. The

Iconic Building is envisioned not only to be a modern business center, but also a major tourist attraction.



PNOC Exploration Corporation

In 2017, PNOC Exploration Corporation (PNOC-EC) continues to work towards becoming the energy exploration and production company in the country with global reach, as well as becoming the partner of choice of other energy companies by exploring new possibilities and holding its operations to the highest standards.

PNOC-EC continues to be an active partner in the Malampaya Gas-to-Power project, where it holds 10% participating interest. The Malampaya project continues to provide the gas fuel requirements of power plant customers in Batangas with a total capacity of 3,200 MW, providing at least 30% of the power requirements of Luzon.

Petroleum and Coal Exploration

PNOC-EC continues exploration activities in existing petroleum and coal projects in its relentless pursuit for petroleum and coal resources to replace diminishing reserves.

PNOC-EC continued studies on various prospects in Service Contract (SC) 37 Cagayan Basin for possible well drilling. Seismic data interpretations in SC 59 West Balabac and in SC 74 Linapacan were also continued.

To accelerate its exploration activities, PNOC-EC is determined to find private partners in its petroleum SCs. The company continuously coordinates with other government agencies to work on challenges affecting farm-out processes.

As part of its strategic initiative, the company also looked into possible overseas opportunities. For the year 2017, PNOC-EC conducted technical evaluations of various oil and gas fields in Iran, Oman, Myanmar, and Papua New Guinea, among others. This initiative aims to find a development or production asset that will augment the company's revenue stream to fund its exploration activities up to the medium-term.

On coal exploration, PNOC-EC completed the planned coal-drilling program in Coal Operating Contract (COC) 41 Zamboanga Sibugay, which provides information on the coal resources of the area. The company also conducted coal asset valuation for its COC 122 Isabela and COC 41 Zamboanga Sibugay. This study aims to determine the value of the projects as PNOC-EC pursues farm-out efforts to find private partners in the development of these COCs.

Prospectively, the Company is set to conduct exploration activities in COC 185 Buug-Malangas and COC 186 Imelda-Malangas upon the issuance of Certificate of Pre-Condition from the National Commission on Indigenous Peoples.

Good Governance and Community Engagement

As a government corporation, PNOC-EC continues to practice good corporate governance, pursuant to the policy of actively promoting corporate governance reforms and consciously observing the principles of accountability and transparency. The Company ensures compliance with the requirements of the Government Commission for GOCCs (GCG) and other regulatory agencies.

For the third consecutive year, the PNOC-EC successfully maintained its ISO 9001:2008 certification for its Quality Management System with the follow-up audit conducted by TUV Rheinland. This certification shows PNOC-EC's commitment to high quality service and continuous improvement in its various processes.

The health and safety of all employees, especially workers on-site, remains a top priority for PNOC-EC. In 2017, no Lost Time Incident (LTI) was reported in any of the Company's operations. This Zero-LTI achievement is a testament to the effectiveness of PNOC-EC's safety rules and policies.

As PNOC-EC acts as growth partner for our host communities, the company aims to contribute to the health and sanitation, financial stability, education, and environmental integrity of host communities through its *Kaagapay sa Kalusugan*, *Kaagapay sa Kabuhayan*, *Kaagapay sa*

Karunungan, and *Kaagapay sa Kalikasan* programs. PNOC-EC's Corporate Social Responsibility (CSR) Programs are governed by the principles of community organization and development.

Among the CSR activities conducted in the year 2017 are the following: (1) dressmaking training for host communities of energy supply base; (2) cassava production training, seedling management and propagation training, scholarship programs, community water filtration project in COC 122 Isabela; and (3) enterprise development training in COC 41 Zamboanga Sibugay.



**PNOC-Renewable
Corporation**

The past year has proven to be a blessing in terms of PNOC-Renewable Corporation's (PNOC-RC) expansion as evidenced by the number of projects and partnerships it has established, as well as the awards and recognitions it received.

PNOC-RC was able to include the Bangko Sentral ng Pilipinas (BSP), the local government of Naga City and Cebu City as partner agencies in its Solar PV Rooftop Projects portfolio. The partnership with BSP is also set to expand in 2018 by the execution of a Memorandum Of Agreement for an additional 3MW solar installation on all its rooftop buildings nationwide.

The company's diversified portfolio on geothermal energy is likewise seen to grow. The Maibarara Geothermal Powerplant has expanded operations for an additional 12 MW in December 2017. PNOC-RC has also maintained its ISO 9001:2015 certification since 2016.

Finally, PNOC-RC is proud to be among the top eight government-owned and controlled corporations, with the highest rating on corporate governance performance among the 200 state-owned corporations. PNOC-RC has also been recognized by the Government Quality Management Committee for its successful implementation of the Quality Management System certified to the ISO 9001 standards.



National Electrification Administration

The National Electrification Administration (NEA) plays a crucial role in nation building through its partnership with ECs in the implementation of the government's Rural Electrification Program to advance development in the countryside.

The agency has consistently supported the national government in its quest to develop and improve the lives of Filipinos. With the Philippines under the leadership of President Duterte, NEA has endeavored to promote the pro-poor agenda of his administration, which is anchored on change and social transformation; and has

aligned its programs to support the nine-point energy agenda of DOE Secretary Alfonso G. Cusi.

Change was likewise introduced in NEA's organizational structure to address the delineated legal, institutional, financial, and technical services to stakeholder ECs to further NEA's focus towards being dynamic and responsive, and most importantly becoming relevant, as a vanguard for sustainable rural development in partnership with the globally-competitive ECs and empowered electricity consumers.

For the year 2017, NEA took aggressive steps in assisting the ailing ECs and pressed on structural reforms to encourage ECs into becoming operationally viable and sustainable. We conducted several electrification fora, strategic planning workshops and regional/sectoral consultations to identify and address the issues and concerns that continue to challenge the ECs under a deregulated environment.

Reaching the milestone of the 12 millionth connection illustrates the magnitude and expanse of the service extended by NEA to the electricity consumers through its partner ECs in the Rural Electrification Program.

NEA has also been instrumental in responding to the call for consumer empowerment, advocated by well-meaning conveners in the rural electrification

movement. It aims to solidify the ranks of electricity consumers and advance their cause through the organization of a nationwide consumer association that will help safeguard the gains of rural electrification and further promote rural development.

Looking to successful years ahead, NEA can be expected to be on track and in sync with the agenda of the Duterte administration, which pursues plans and programs most beneficial to the Filipino people, most especially those in rural Philippines.



National Power Corporation

As the “missionary electrification” arm and a partner for change of the national government, the National Power Corporation (NPC) remains steadfast in braving the challenges and bringing light to the farthest islands and villages in the archipelago.

In 2017, NPC installed a total of 21.90 MW new capacities (as of October 2017) to meet demand growth and extended the operating hours of 24 power plants in various SPUG areas. This signifies a growing power demand and a thriving economy in the areas we serve. We have also electrified three new areas, bringing its residents electricity for the first time.

NPC has likewise finished milestone projects in transmission systems such as the completion of the long stalled Mobo to Cataingan and Mobo to Aroroy 1 and 2 69 kV transmission lines in Masbate. We have taken a lot of strides in performing the rest of our mandates too – protecting and preserving 11 watersheds, maintaining 21 dams, facilitating contracts for independent power producers and operating the Agus-Pulangi Power Complexes in Mindanao.



National Transmission Corporation

The year 2017 marked a very productive year for the National Transmission Corporation (TransCo). This year, TransCo became proactive in implanting its value in the energy sector by raising several key national issues, out of loyalty to its mission. As the owner of the nation’s power transmission assets, it protects the interest of the Filipino people by overseeing the proper operation, maintenance, upgrading, and expansion of the transmission system by the concessionaire, thereby contributing to the delivery of quality and reliable electricity to consumers.

In early 2017, TransCo raised several issues affecting the operations and development of the transmission grid being held by the NGCP through a 2009 Concession Agreement.

In March of 2017, TransCo received its ISO Certification for Quality Management System from TUV Rheinland, ensuring

adherence to quality management practices, including increasing the role of technology in processes.

Inspection of Transmission Assets Operated and Maintained by NGCP

Consistent with the Concession Agreement and in line with its mandate to protect the interest of the government and the general public, TransCo conducted inspections of nationwide transmission assets. It also reviewed the accomplishments and progress of projects under construction in relation to the agreed project schedule, technical details vis-à-vis the design and environmental compliance, among others.

Said inspections are conducted annually and for the year 2017 (covering January to 30 November 2017), TransCo's technical personnel have conducted 77 inspection activities nationwide. All noted observations were transmitted through inspection reports to NGCP for its appropriate corrective actions.

Divestment of Sub-Transmission Assets

In compliance with the mandate of EPIRA and under the guidelines set by the ERC, TransCo undertook the sale of sub-transmission assets to qualified DUs.

As of 30 November 2017, TransCo has signed 113 sale contracts with 92 DUs/ECs amounting to about PhP5.95Bn. These sales cover an aggregate length of about 3,804ckt-kms of sub-transmission lines, about 34,048 sub-transmission structures

and 830 MVA of substation capacity. Of the 113 sale contracts, 71 contracts with a total sale price of about PhP4.298Bn have been approved, approved with modification and disapproved by ERC.

Following the EPIRA provision to extend concessional financing to ECs, TransCo implemented lease purchase arrangements with a term of 20 years. Of the 113 sale contracts already signed, 76 are under lease purchase agreements with 65 ECs, valued at about PhP4.03Bn. The remaining 37 involved sales to DUs.

Feed-In Tariff Allowance Fund Administration

In addition to TransCo mandate, ERC Resolution No. 15, series of 2012 dated 19 November 2012 designated TransCo as the Feed-In Tariff Allowance (FIT-All) Fund Administrator. TransCo has so far filed with the ERC the determination for the FIT-All rate for the years 2014-2015, 2016, 2017 and 2018.

For the payment of FIT-eligible RE generators, TransCo has entered into Renewable Energy Payment Agreements (REPA) with 53 RE developers as of 30 November 2017, with 45 of these REPAs being effective, i.e., these eligible REs have secured all necessary permits and can already be paid for actual eligible energy generated.

The total FIT Revenue billed as of 30 November 2017 amounts to PhP35.73Bn and about 79.61% or PhP28.45Bn of this has

been paid. This total does not include any late payment interest that the eligible FIT generators may be entitled to.

The collection efficiency for the FIT-All is about 93.55% as of 30 November 2017 and the collection efficiency for the cost recovery revenue from PEMC is about 98.43%.

Land Management and Right of Way Settlements

As of November 2017, TransCo has validated a total of 174 right of way claims, including those referred by executive agencies such as the 8888 Presidential Action Center.

TransCo has also filed 88 new expropriation cases including 14 claims approved for settlement for a total of 102 cases.

MOA between TransCo and the Land Registration Authority

Ever mindful that the land and right of way are the biggest and most valuable assets of the government in the national transmission grid, TransCo and the Land Registration Authority (LRA) embarked on a government-to-government project for the supply and delivery of datasets for land parcel affected by existing transmission lines and substations in Luzon, Visayas and Mindanao.

This partnership with the LRA ensures the elimination of fraud and false claims, as TransCo embarks on its responsibility to manage, consolidate and protect the

inventory of its land assets, particularly, land titles, easement rights/grants and other contracts in its name.



Power Sector Assets and Liabilities

Management Corp.

A Commitment Towards Electric Power Industry Reforms

Armed only with the determination, commitment and competence to fulfill its mandate, the Power Sector Assets and Liabilities Management Corporation (PSALM), in a span of 16 years since its inception, has privatized 31 generating plants, sought buyers to dismantle five decommissioned plants, covered the transfer of seven power contracts of the NPC with Independent Power Producers (IPP) to the management of IPP Administrators, and has brought down NPC's financial obligations to PhP481.7Bn as of the third quarter of 2017 from its peak level of PhP1.24 trillion in 2003.

To date, PSALM has disposed a total privatized capacity to 4,601.43 MW for generating plants out of the 6,233.53 MW capacity identified for privatization and 3,607.52 MW out of the 4,906.27 MW for IPP contracts.

On 2 August 2017, the sale of the structures, plant equipment, auxiliaries, and accessories of the decommissioned Sucat Thermal Power Plant (STPP) was officially closed by way of a ceremonial turnover of the plant to its new owner. STPP will be dismantled to ground zero to pave the way for new economic activities in the area.

Real Estate Assets Privatization

In 2017, PSALM painstakingly laid down the groundwork to ensure a reliable system for its Real Estate Asset Privatization program. PSALM's real estate assets consist of 6,160 lots with an aggregate area of 100 million sqm (10,000 hectares) – taking up a substantial size in the asset universe of the corporation. Around 75% of these lands could be up for privatization.

In December 2017, PSALM issued an “Offer to Sell” to its two-unit Puerto Azul Ocean Villas Condominium to members of the Puerto Azul Golf and Country Club. After the expiration of the prescribed period and no PAGCC member purchased the property, PSALM will sell the subject property through public bidding. In the same month, an Invitation to Bid was published to call interested bidders to participate in the sale of its land properties comprising of eight lots (20,975 square meters) of the Manila Thermal Power Plant and 92 lots (257,995 sq. m²) of the Bauang Diesel Power Plant.

Financial Management

Since January 2005, PSALM has started receiving privatization proceeds from the sale of NPC generating plants. PSALM's privatization efforts generated a total of US\$19.996Bn as of October 2017. Of this amount, actual collection amounted to US\$11.344Bn leaving a balance of US\$ 8.652Bn as of this period, while US\$10.540Bn has been utilized.

Aligned with its commitment to service assumed loans, PSALM has already settled a total of PhP1.395 trillion financial obligations as of 2016. Of this amount, PhP539Bn was paid for the principal, PhP327.5Bn for the interest incurred and PhP528.5 billion for IPP lease obligations. For the first nine months of 2017, PSALM has serviced a total of PhP54.53 billion, including PhP8.24Bn in interest.

An important revenue driver, ERC allowed PSALM to recover PhP53.851Bn covering the 2007-2010 stranded contract cost (SCC) portion of the Universal Charge. An order dated 6 March 2017 authorized PSALM to continue collecting until the approved amount is fully recovered. Moreover, in July 2017, ERC approved with modification PSALM's petitions to avail the 2011 to 2013 UC-SCC amounting to PhP12.878Bn. Collection started in its July 2017 billing period. ERC also approved PSALM's application for UC-SD on 27 June 2017 covering the 2011-2012 true-up adjustments amounting to PhP24.51Bn.

These UC-SCC and SD approvals provided additional fund source for PSALM to settle its maturing debts.

Loan Condonation

PSALM also assumed the rural electrification program (REP) loans of ECs. The REP was institutionalized to energize 41,982 barangays in the country, with distribution utilities and ECs transmitting electricity requirements under Section 61 of EPIRA.

As of October 2017, PSALM has paid a total of PhP16.269Bn worth of financial obligations of ECs to NEA and other government agencies as well as local government units pursuant to EO No. 119, s. 2002 and the Memorandum of Agreement between PSALM and NEA dated 03 October 2003.



Philippine Electricity Market Corp. (PEMC)

Enhanced WESM Design and NMMS

Under the guidance of the DOE, 2017 ushers a new era for the WESM. Preparations for the implementation of the enhanced WESM design and the commercial operations of the NMMS that will support the implementation of the enhanced market design are well underway. The NMMS has been delivered and is currently undergoing audit by an independent auditor to test its compliance

with the market rules. In the meantime, the Market Operator and the trading participants from all three regions: Luzon, Visayas, and Mindanao, are undergoing a TOP to familiarize themselves not only with the workings of the NMMS but more importantly, to prepare themselves for the changes expected under the enhanced WESM design.

Integration of Mindanao into the WESM

It is not only for purposes of familiarization that the Mindanao participants have been asked to join the TOP. It is, indeed, to prepare the industry in Mindanao for the integration of the region into the WESM. It is a welcome development that acceptance for the WESM has been growing amongst Mindanao participants, who have been actively participating in the various preparatory activities being undertaken, including, among other activities, participation in WESM training programs and consultations, and in the ongoing TOP. It is the expectation that Mindanao would already be integrated in the WESM when the NMMS and the enhanced WESM design are in commercial operations.

Transition to the Independent Market Operator

The transition to the IMO has started to unfold with the creation by the DOE of the PEMC Transition Committee in August 2017. Pursuant to its mandate, the Transition Committee initiated the formulation of an IMO Transition Plan, which was presented to the industry participants for consultations. While some enhancements on the plan have been suggested in the course of the consultations, it has generally been well accepted by the industry stakeholders. Acceptance was expressed even as the plan proposed to ensure the independent nature of the IMO and yet preserve the participation by the industry participants in the governance of the market. Given the level of acceptance that has been expressed, the long overdue transition to the IMO is nearing fruition.

Continuing operations and governance

Even as PEMC intensified its efforts in these preparations, it sustained its efforts in maintaining efficiency, not only in market operations and assessment, but also in market governance and organizational excellence.

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