DEPARTMENT OF ENERGY

Streamlining and Rationalizing the Grant of Subsidies in the Electrification of MISSIONARY AREAS using SOLAR PHOTOVOLTAIC SYSTEMS

For detailed information, please refer to :
DOE Circular No. DC 2004-06-005 Streamlining and Rationalizing the Grant of Subsidies in the Electrification of Missionary Areas Using Solar Photovoltaic Systems.

The Electric Power Industry Reform Act of 2001 (EPIRA) declares that the State through the Department of Energy (DOE) will ensure and accelerate the total electrification of the country as well as to ensure the quality, reliability, security and affordability of the supply of electric power.

In this regard, the DOE has targeted the attainment of 100% barangay electrification level by 2006 and energization of 90% of total potential households by 2017.

The EPIRA-IRR mandates the DOE to formulate a Missionary Electrification Development Plan (MEDP) which shall include a program for the provision of capital investment and operations regarding capacity additions in existing *missionary areas* and the facilities to be provided in other areas not connected to the transmission system.

The government, despite its limited public resources, is currently providing various forms of subsidies to rural electrification projects and other energy intensive activities, one of which is the use of Solar Photovoltaic systems.

The DOE considers solar PV system to be a cost-effective and environment-friendly technology in providing electricity service and other community services to sparsely populated, remote, unserved and dispersed areas.

Sources of Solar PV Subsidy

The solar PV subsidy shall be funded from the following:

a. Missionary Electrification Component of the Universal Charge
b. Budgetary allocations of DOE, NEA, SPUG and other energy related government agencies appropriated for rural electrification
c. DOE-administered funds appropriated for rural electrification
d. Funds from donor entities

Beneficiaries of the Solar PV Subsidy

Consumers within an unenergized, remote, dispersed and unviable area, suitable for solar PV systems shall be considered eligible beneficiaries of the solar PV subsidy; provided that priority shall be given to consumers in areas identified in the MEDP, and/or unenergized areas that have potential market for solar PV systems.

Guiding Policies and Strategies on Solar PV Subsidy

a. The utilization of solar PV system shall be on a least-cost approach and shall be consistent with the overall government program for missionary electrification as formulated and defined in the MEDP.

b. The solar PV subsidy shall be made available in a rational, transparent, predictable and technology-neutral manner in order to make solar PV systems more affordable to the poor consumers.

c. The amount of solar PV subsidy sourced from government shall be determined by the DOE in consultation with other energy related agencies, donor entities as well as solar PV dealers and service providers. The determination of solar PV subsidy shall take into account the following:

    1. Electricity consumption of consumers
    2. Size/capacity and number of installations of solar PV systems
    3. Cost of solar PV systems
    4. Consumer's willingness to pay
    5. Potential contribution of the household electrification to the community development
    6. Innovative delivery mechanisms of solar PV systems such as, but not limited to, direct dealership and fee-for-service schemes
    7. Cost of developing and marketing solar PV systems

d. The scheme of delivering the soar PV subsidy sourced from the government shall likewise be designed by the DOE. The DOE shall endeavor to implement an output-based approach in the use of all available government funds allocated for solar PV subsidy.

e. The DOE shall optimize the use of the solar PV subsidy sourced from the government through appropriate schemes such as joint undertakings with donor entities and/or with private capital from solar PV dealers and service providers.

f. To ensure consistency with the MEDP and optimized use of solar PV subsidies, all donor entities that shall provide direct or indirect assistance in the provision of electricity and other community services using solar PV systems shall be enjoined to coordinate all plans and programs with the DOE from its inception.

g. The entry of solar PV dealers and service providers shall be encouraged to develop and market solar PV systems in unenergized, remote, dispersed and unviable area. The DOE shall issue accreditation guidelines for solar PV dealers and service providers.

h. The DOE shall establish and issue business/operating guidelines for all accredited solar PV dealers/service providers in a manner that shall foster market competition for solar PV systems, promote commercially available products and services using solar PV systems in unenergized and remote rural areas and ensure that solar PV subsidy is passed on to customers in the form of a lower price.

a. The DOE shall have the overall responsibility in the implementation of the solar PV subsidy program, which shall include the following:

   1. Formulation of the overall framework and clearing house for all initiatives related to solar PV system electrification;
   2. Setting of technical and performance standards for all solar PV systems;
   3. Accreditation of solar PV systems dealers/service providers;
   4. Establishment and oversight of solar PV dealers/service providers network;
   5. Identification and specification of source of solar PV subsidy which shall be based on the amount of subsidy required to implement solar PV systems projects, extent of installation of solar PV systems, specific programs of donor entities, etc.
   6. Establishment of a computerized database/information system to track and monitor the recipient of subsidies for use of solar PV systems;
   7. Coordination with various government agencies implementing solar PV systems projects; and,
   8. Project monitoring, evaluation and impact analysis of solar PV subsidy.

b. The DOE, in consultation with other concerned government agencies, donor entities and the solar PV industry, shall formulate implementing guidelines for the administration of solar PV subsidies within one (1) month from the effectivity of the Department Circular DC 2004-05-005.

   The implementing guidelines shall contain the following:

   1. Methodology for the determination of solar PV subsidy for various types of consumers, applications and sources of subsidy;
   2. Procedure of availing solar PV subsidies; and,
   3. Accreditation procedures for solar PV dealers and service providers.

c. The DOE, in partnership with the solar PV industry and donor entities shall embark on an information campaign to hasten the market acceptability of the solar PV systems within two (2) years upon the effectivity of this Circular. The said information campaign shall be directed to prospective solar PV systems dealers/providers and targeted consumers.

d. A Unified Electrification Subsidy Committee is hereby established to operate under the expanded Rural Electrification Program Team, created pursuant to Department Circular No. 2003-04-004 issued on April 1, 2003. The DOE shall chair the said Committee, which shall have the following functions and responsibilities:

   1. Identify all rural electrification projects including solar PV systems installations for inclusion in the MEDP; and,
   2. Formulate, recommend and regularly update appropriate guidelines for the provision of subsidy to rural electrification projects including those using solar PV systems.

Definition of Terms

Missionary Electrification refers to the provision of basic electricity service in unviable areas with the ultimate aim of bringing the operations in these areas to viable levels.

Missionary Electrification Development Program (MEDP) refers to the five-year plan of the DOE updated annually, to implement missionary electrification projects funded through the share of Missionary Electrification in the Universal Charge (ME-UC). The MEDP serves as the country's blueprint for electrification and one of the basis for the determination by the ERC of the ME-UC.

Solar Photovoltaic System or *Solar PV System* refers to a system that uses a semi-conductor device called photovoltaic modules to convert solar energy directly into electrical energy, which include among others solar battery charging station, solar home system and other similar PV applications.

ACRONYMS

EPIRA	Electric Power Industry Reform Act
IRR	Implementing Rules & Regulations
DOE	Department of Energy
QTPs	Qualified Thrid Parties
MEDP	Missionary Electrification Dev't. Plan
PV	Solar Photovoltaic
SPUG	Small Power Utilities Group
NEA	National Electrification Adminisration

For more information, please call or visit us at...

Electric Power Industry Management Bureau
Rural Electrification Administration & Mgt Div.
Energy Center, Fort Bonifacio
Taguig, Metro Manila
Trunklines: 840-1401 to 21 loc. 131

DOE - Consumer Welfare and Promotion Office
Trunklines: 840-140 to 21 loc. 329
Telefax : 840-2267

You may also text your suggestions, queries and complaints.
Type **DOE**<space><message> and send to **2920**
E-mail address: cwpo@doe.gov.ph

Please visit our web site : www.doe.gov.ph