

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

DEPARTMENT ORDER NO. 002023-10-0022 /s

**DIRECTING THE NATIONAL ELECTRIFICATION ADMINISTRATION TO  
FACILITATE THE JOINT CONDUCT OF COMPETITIVE SELECTION PROCESS  
FOR THE POWER SUPPLY OF ELECTRIC COOPERATIVES USING  
INDIGENOUS NATURAL GAS AS TRANSITION FUEL**

**WHEREAS**, Section 2 of Republic Act (RA) No. 7638 or the Department of Energy Act of 1992 declares it as a policy of the State to:

1. 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 integrated and intensive exploration, production, management, and development of the country's indigenous energy resources, and 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; and
2. Rationalize, integrate, and coordinate the various programs of the Government towards self-sufficiency and enhanced productivity in power and energy without sacrificing ecological concerns.

**WHEREAS**, Section 2 of RA 9136 or the Electric Power Industry Reform Act of 2001 (EPIRA) declares as a policy of the State to, among others:

1. Ensure and accelerate the total electrification of the country;
2. Ensure the quality, reliability, security and affordability of the supply of electric power;
3. 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;
4. Ensure fair and non-discriminatory treatment of public and private sector entities in the process of restructuring the electric power industry;
5. Protect the public interest as it is affected by the rates and services of electric utilities and other providers of electric power;
6. Assure socially and environmentally compatible energy sources and infrastructure; and

7. Promote the utilization of indigenous and new and renewable energy resources in power generation in order to reduce dependence on imported energy.

**WHEREAS**, the EPIRA mandates the Department of Energy (DOE) to:

1. Formulate policies for the planning and implementation of a comprehensive program for the efficient supply and economical use of energy consistent with the approved national economic plan and with the policies on environmental protection and conservation and maintenance of ecological balance, and provide a mechanism for the integration, rationalization, and coordination of the various energy programs of the Government;
2. Develop and update annually the existing Philippine Energy Plan (PEP), which shall provide for an integrated and comprehensive exploration, development, utilization, distribution, and conservation of energy resources;
3. Ensure the reliability, quality, and security of supply of electric power;
4. Encourage private sector investments in the electricity sector and promote development of indigenous and renewable energy sources;
5. Establish and administer programs for the exploration, transportation, marketing, distribution, utilization, conservation, stockpiling, and storage of energy resources of all forms, whether conventional or non-conventional;
6. 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;
7. Endeavor to provide for an environment conducive to free and active private sector participation and investment in all energy activities; and
8. Formulate such rules and regulations as may be necessary to implement the objectives of the EPIRA.

**WHEREAS**, Section 5 of RA 10531 or the National Electrification Administration Reform Act of 2013 provides the following powers, functions and privileges of the National Electrification Administration (NEA), among others:

1. Supervise the management and operations of all electric cooperatives (ECs);
2. Provide institutional, financial and technical assistance to ECs upon request of the ECs; and
3. Develop, set and enforce institutional and governance standards for the efficient operation of ECs such as, but not limited to, the observance of

appropriate procurement procedure, including transparent and competitive bidding.

**WHEREAS**, on 30 June 2023, the DOE promulgated Department Circular (DC) No. DC2023-06-0021<sup>1</sup> or the 2023 Competitive Selection Process (CSP) Policy to streamline the conduct of CSP by the distribution utilities (DUs), including ECs, to procure power supply for their captive market;

**WHEREAS**, Section 6.1 of DC No. DC2023-06-0021 provides that the Energy Regulatory Commission (ERC) shall issue the implementing guidelines in the conduct of CSPs and evaluation of Power Supply Agreements (PSAs) resulting from these CSPs;

**WHEREAS**, Section 5 of DC No. DC2023-06-0021 mandates the NEA to issue the CSP guidelines for ECs to support the guidelines to be issued by the ERC, and to conduct or continue the CSP in case an EC is unable to complete the CSP one (1) year before the schedule indicated in its latest posted Power Supply Procurement Plan (PSPP) on the CSP E-based Portal;

**WHEREAS**, the ERC issued Resolution No. 16 dated 3 October 2023, series of 2023, titled "Implementing Guidelines for the Procurement, Execution and Evaluation of Power Supply Agreements Entered into by Distribution Utilities for the Supply of Electricity to their Captive Market" (CSP Guidelines);

**WHEREAS**, the 2020-2040 Philippine Energy Plan (PEP) and National Renewable Energy Program (NREP) set a target of at least 35% Renewable Energy (RE) share in the total generation mix by 2030 and at least 50% by 2040, which is expected to further hasten the already increased penetration of variable RE that can impact the stability of the grid and, therefore, the crucial need for generators that can balance RE variability;

**WHEREAS**, the availability of natural gas, as a suitable and efficient transition fuel, balances the variability of RE and maintains the reliability of the country's power system, simultaneous with the compliance of DUs with their respective RE requirements under the Renewable Portfolio Standards (RPS) pursuant to existing laws, rules and regulations;

**WHEREAS**, the DOE, in view of achieving the country's transition to clean energy while maintaining energy security, requires the development of a transition fuel capable of providing baseload generation, with additional or enhanced capabilities;

**WHEREAS**, in consideration of the available and potential supply of indigenous natural gas that can be produced from Malampaya, President Ferdinand R. Marcos Jr. signed on 15 May 2023 the Renewal Agreement for the Malampaya Service Contract No. 38 (SC 38) with a contract period of fifteen (15) years or until 22 February 2039, allowing for the continued production of the Malampaya gas field and ensuring that the remaining gas reserves are further explored and utilized;

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<sup>1</sup> "Prescribing the Policy for the Mandatory Conduct of the Competitive Selection Process by the Distribution Utilities for the Procurement of Power Supply for Their Captive Market"

**WHEREAS**, the thrust to attain higher energy self-sufficiency through exploration and development of new natural gas fields will require a market to absorb and utilize all available gas supply;

**WHEREAS**, to supplement the existing indigenous natural gas, imported natural gas can be blended with the indigenous gas supply from Malampaya, and, given that the price of indigenous natural gas is less volatile and is projected to be cheaper compared to imported natural gas, it will soften any impact on its cost while achieving a continued supply of power from such resource as exploration for additional indigenous gas sources continue;

**WHEREAS**, adequate and proper power supply contracting by the DUs ensures that electricity demand is sufficiently met, while electricity end-users are protected from unnecessary exposure to the volatility of spot prices in the Wholesale Electricity Spot Market (WESM);

**WHEREAS**, the joint conduct of a CSP to meet the aggregated demand requirements of DUs relative to the available and potential indigenous and imported natural gas supply provides ample leverage to DUs, particularly ECs, in terms of: (a) availability; by ensuring that power supply from transition fuel is made accessible to all based on need or requirement; and (b) price, as it endeavors to provide a uniform rate among all covered DUs through a wider base by contracting the supply from natural gas power plants;

**NOW, THEREFORE**, for and in consideration of the foregoing premises, the DOE hereby orders the following:

**Section 1. General Principles and Objectives.** The DOE, to ensure the energy transition of the Philippines, mandates its attached agencies and all stakeholders to observe the following principles:

- 1.1. Ensure adequate and optimal allocation of natural gas for the provision of reliable supply and reasonably priced electric power to complement the variability of RE and achieve the desired targets under the PEP;
- 1.2. Encourage the full utilization of indigenous natural gas, including the aggregation and blending thereof, to develop the domestic natural gas industry;
- 1.3. Ensure a market for existing and future production and utilization of indigenous natural gas;
- 1.4. Provide a transparent and competitive environment for natural gas stakeholders, specifically the DU offtake for brownfield and greenfield natural gas power facilities;
- 1.5. Authorize the NEA to issue the rules and guidelines for ECs in the conduct of aggregation of natural gas demand and the terms and conditions of the corresponding CSP;

- 1.6. Achieve the execution of the necessary power supply contracts with natural gas-fired power generation facilities; and
- 1.7. Ensure that the DUs' conduct of CSP for the aggregated demand for transition fuel is consistent with their obligation as Mandated Participants under the RPS and their obligation to supply their captive customers in the least cost manner, and shall not result in over-contracting of power supply.

## **Section 2. Conduct of Aggregation of Demand by the NEA.**

- 2.1. Within fifteen (15) days from the issuance of this Order, the NEA shall establish the necessary rules, guidelines, and methodology in the conduct of the aggregation of demand of ECs, in accordance with the following:
  - a. The NEA shall determine the aggregated demand of ECs, based on existing uncontracted requirements and contracted demand expiring within two (2) years pursuant to the latest and posted PSPP in the CSP E-based Portal, to be sourced from natural gas-fired power generation facilities; and
  - b. The aggregated demand shall be subjected to the joint conduct of CSP.
- 2.2. The NEA shall perform all other necessary activities for the effective implementation of this Order.

## **Section 3. Competitive Selection Process by the NEA.**

- 3.1. Not later than fifteen (15) days from the issuance of the guidelines under Section 2.1 of this Order, the NEA shall commence the CSP for the procurement of power supply of ECs from natural gas-fired power generation facilities, pursuant to DC No. DC2023-06-0021 and the implementing guidelines of ERC and NEA.
- 3.2. The NEA shall formulate the Terms of Reference (TOR) and other bidding documents vis-à-vis the abovementioned plans of ECs.
  - a. The NEA shall ensure that the PSAs resulting from the conduct of the said CSP shall be filed by the individual EC with the winning power supplier/s in the ERC in accordance with the CSP Guidelines; and
  - b. The resulting PSAs shall be subject to the provisions of this Order and to the CSP Guidelines.

## **Section 4. Compliance of Electric Cooperatives.**

- 4.1. All ECs are directed to comply with the instructions of the NEA in the joint conduct of the CSP as provided for in Section 3 of this Order.



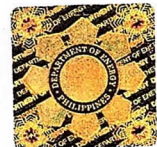
- 4.2. The ECs shall submit all necessary data and information relative to their uncontracted requirements, as identified by the NEA, relative to the NEA's conduct of the CSP.
- 4.3. The NEA shall monitor and supervise the compliance by the ECs with their responsibilities and obligations under the conducted CSP.

**Section 5. Separability Clause.** If, for any reason, any section or provision of this Order is declared unconstitutional or invalid, such parts not affected shall remain in full force and effect.

**Section 6. Effectivity.** This Order shall take effect immediately and shall remain in effect until otherwise revoked.

Issued this \_\_\_ day of October 2023 at the DOE, Energy Center, Rizal Drive cor. 34<sup>th</sup> St., Bonifacio Global City, Taguig City.

  
RAPHAEL P.M. LOTILLA  
Secretary



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