

DEPARTMENT CIRCULAR NO. DC2021-__ -__ __

**PRESCRIBING THE ADJUSTED ANNUAL PERCENTAGE INCREMENT
TO BE IMPOSED ON ALL MANDATED PARTICIPANTS OF THE
RENEWABLE PORTFOLIO STANDARDS FOR ON-GRID AREAS**

WHEREAS, Republic Act (RA) 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, RA 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 quality, reliability, security and affordability of the supply of electric power;

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

WHEREAS, RA 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 renewable energy (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 6 of the RE Act states that all stakeholders in the electric power industry shall contribute to the growth of the renewable energy industry of the country. Towards this end, the National Renewable Energy Board (NREB) shall set the minimum percentage of generation from eligible renewable energy resources and determine to which sector the Renewable Portfolio Standards (RPS) shall be imposed on a per grid basis;

WHEREAS, Paragraph (3), Section 4(c), of the Implementing Rules and Regulations (IRR) of the RE Act, states that the DOE shall, upon the recommendation of the NREB, formulate and promulgate the RPS Rules which shall include, among others, the annual percentage increment required to be sourced from eligible RE resources and which shall, in no case, be less than one percent (1%) of its annual energy demand over the next ten (10) years;

WHEREAS, the DOE issued Department Circular (DC) No. DC2017-12-0015 also known as the “*RPS Rules for On-Grid Areas*” or the “*RPS On-Grid Rules*,” was promulgated on 22 December 2017 and became effective on 31 December 2017, placed upon the Mandated Participants the obligations to source or produce a minimum RE percentage of their electricity requirements from eligible RE resources;

WHEREAS, Section 7 of the RPS On-Grid Rules has set an aspirational target of attaining 35% share of the RE in the total generation mix by 2030, subject to regular review and assessment by the DOE;

WHEREAS, Section 7 of the RPS On-Grid Rules defines the Minimum Annual Incremental RE percentage (K_m) as the incremental RPS percentage initially set by the NREB at one percent (1%) at year m for Mandated Participants in Luzon, Visayas and Mindanao, subject to review annually such that the Target RE Share will be achieved (K is not constant), which is expressed in the following formula:

$$RPS_{(n)} = ES_{(n-1)} * \sum_{m=0}^n K_m$$

Where:

- m = Year 0 to n , excluding the Transition Period
- n = the Year of the RPS requirement starting at Year 1 and excluding Transition Period
- $RPS_{(n)}$ = RPS for the Year n for each Mandated Participant starting at Year 1 (in MWh, rounded down to the nearest MWh)
- K_0 = the percentage of total energy sales from plants under the FIT System to the total energy sales of all Mandated Participants at Year 0
- K_m = Minimum Annual Incremental RE Percentage for all Mandated Participants at year m
- $ES_{(n-1)}$ = Net Electricity Sales in previous Year for each Mandated Participant (in MWh, rounded down to the nearest MWh). For avoidance of doubt, $ES_{(n-1)}$ at Year 1 shall be the Net Electricity Sales of Year 0

WHEREAS, Section 9(b) of the RPS On-Grid Rules provides that the minimum annual percentage shall be adjusted by the DOE, in coordination with the NREB, when the prevailing percentage is deemed insufficient to attain the target RE Share;

WHEREAS, the NREB in its proposed 2021-2040 NREP, recommended to increase K_m from the initial one percent (1%) to 2.52% starting 2023, to meet the aspirational target of at least 35% in the total power generation mix by 2030 and more than 50% by 2040;

WHEREAS, the RPS Composite Team (RPSCT) through its Resolution No. RPSCT2021-08-27-001 resolved to recommend for the adoption of the Adjusted K_m of 2.52% for planning period 2023-2040, as recommended by the NREB;

NOW, THEREFORE, in consideration of the foregoing, the DOE hereby issues and promulgates the adoption of the Adjusted Annual Incremental RE Percentage (K_m):

Section 1. Short Title. This Circular shall be known as the “Prescribing the Adjusted Annual Incremental RE Percentage (K_m) under the RPS On-Grid Rules” and shall hereinafter be referred to as the “Adjusted K_m .”

Section 2. Rationale. Adoption of the Adjusted K_m of 2.52% starting 2023 is necessary to meet the aspirational RE share of at least 35% in the country’s energy mix expressed in MWh by 2030 and achieve an even higher RE share by 2040:

Year	K_0	K_m	Minimum RPS Requirement ($K_0 + K_m$)	Target RE Share ¹
2020	3.34%	1.00%	4.34%	21.24%
2021	3.34%	2.00%	5.34%	20.22%
2022	3.34%	3.00%	6.34%	19.05%
2023	3.34%	5.52%	8.86%	28.16%
2024	3.34%	8.04%	11.38%	28.67%
2025	3.34%	10.56%	13.90%	30.32%
2026	3.34%	13.08%	16.42%	29.54%
2027	3.34%	15.60%	18.94%	31.57%
2028	3.34%	18.12%	21.46%	32.82%
2029	3.34%	20.64%	23.98%	35.86%
2030	3.34%	23.16%	26.50%	36.96%
X X X	X X X	X X X	X X X	X X X
2040	3.34%	48.36%	51.70%	55.87%

Section 3. Coverage. This Circular shall apply to all Mandated Participants of RPS Rules for On-Grid Areas only.

Section 4. Definition of Terms. This Circular hereby adopts, by reference, the terms defined in the RE Act and its IRR, the RPS On-Grid Rules, REM Rules, as well as relevant DOE Department Circulars.

Section 5. Annual Review. As provided for under Section 14 of the RPS On-Grid Rules, the DOE, in coordination with the NREB and in consultation with the stakeholders, shall review and set the K_m for each succeeding year ($m+1$) no later than September 30 of each year in consideration of the existence of service contracts and change in criteria of Eligible RE Facilities, among others.

The Adjusted K_m shall be included as an integral part of the Distribution Utilities’ Distribution Development Plan (DDP) and shall form part of the NREP, the Power Development Plan (PDP), and the Philippine Energy Plan (PEP).

¹ Based on current simulations but may change or vary according to RPS compliance level and Net Electricity Sales of Mandated Participants. RE Share for Year 2020 is based on DOE 2020 Power Statistics.

Section 7. Separability. If any provision in this Circular is declared invalid or unconstitutional, the other provisions not affected thereby shall remain valid and subsisting.

Section 8. Repealing Clause. The provisions of other circulars, orders, issuances, rules, and regulations, which are inconsistent with the provisions of this Circular are hereby repealed, amended, superseded, or modified accordingly.

Section 9. Effectivity. This Circular shall take effect fifteen (15) days after publication in two (2) newspapers of general circulation. Copies of this Circular shall be filed with the University of the Philippines Law Center – Office of the National Administrative Register.

ALFONSO G. CUSI
Secretary

Issued on _____, at Energy Center, Rizal Drive
Bonifacio Global City, Taguig City.