WHEREAS, Section 2(a) of Republic Act No. 9136 or the "Electric Power Industry Reform Act of 2001" (EPIRA), declared the policy of the State to ensure and accelerate the total electrification of the country;

WHEREAS, Section 23 of the EPIRA states that the Distribution Utilities (DUs) shall have the obligation to provide distribution services and connections to its system for any end-user within its franchise area consistent with the distribution code;

WHEREAS, Section 59 of the EPIRA authorized the provision of electric service in remote and unviable villages that the franchised utility is unable to service for any reason shall be opened to other qualified third parties (QTPs);

WHEREAS, pursuant to Rule 13 of the Implementing Rules and Regulations of EPIRA (EPIRA-IRR), the DOE shall issue specific guidelines on how to encourage the inflow of private capital and the manner in which other parties, including DUs and QTPs, can participate in the projects set forth in the Missionary Electrification Development Plan (MEDP);

WHEREAS, in compliance with Rules 13 and 14 of the EPIRA-IRR, the DOE issued Department Circular Nos. DC2004-06-006 and DC2005-12-011 on 18 June 2004 and 12 December 2005, respectively, that prescribed the qualification criteria and guidelines for the participation of QTPs in the Unviable Areas;

WHEREAS, Section 3 (a) of Rule 13 of the EPIRA-IRR, likewise provide that SPUG shall be responsible for providing power generation and its associated power delivery systems in areas that are not connected to the Grid and cannot be serviced by DUs and other QTPs;

WHEREAS, Section 7 of Rule 2 of the DOE Department Circular No. DC2018-08-0024 or the "RPS Off-Grid Rules" mandates all electric power industry participants in Off-Grid and Missionary Areas including the QTPs to generate and/or procure, supply and subsequently maintain a minimum percentage of RE share in their energy portfolio to meet the minimum RE requirement in their area which shall be consistent with the Optimal Supply Mix prescribed in the MEDP;

WHEREAS, in order to meet the total electrification target of the Government, there is a need to update and revise the existing guidelines on the participation of QTPs to provide a policy and regulatory environment that is more conducive to the participation of the private sector;
WHEREAS, the DOE conducted various public consultations with stakeholders and focused group discussions with the attached agencies, to discuss the proposed amendments to the DOE QTP Circulars:

<table>
<thead>
<tr>
<th>Venue</th>
<th>Dates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Visayas – Cebu City</td>
<td>26 June 2018</td>
</tr>
<tr>
<td>Luzon – Puerto Princesa City</td>
<td>29 June 2018</td>
</tr>
<tr>
<td>Mindanao – Cagayan De Oro City</td>
<td>13 July 2018</td>
</tr>
<tr>
<td>NCR - Manila</td>
<td>18 July 2018</td>
</tr>
<tr>
<td>NCR – Quezon City</td>
<td>04 October 2019</td>
</tr>
</tbody>
</table>

NOW, THEREFORE, in consideration of the foregoing premises, the DOE hereby promulgates the following guidelines and procedures for the qualification and participation of QTPs in QTP Service Areas.

Section 1. Title.

This Department Circular shall be known as the “Revised Guidelines for Qualified Third Party” which shall be hereinafter referred to as the “Revised QTP Guidelines”.

Section 2. Declaration of Policies.

It is hereby declared the policy of the DOE that:

2.1. All DUs shall endeavor to provide electricity services to all households within their respective franchise areas, including remote and Unviable Areas, in an efficient and sustainable manner consistent with their respective franchises;

2.2. Unenergized areas that a DU does not find viable may be transferred to another DU, if any is available, which will provide the service, subject to the approval by Energy Regulatory Commission (ERC);

2.3. All Unviable Areas, which the DU cannot serve for whatever reason are declared open for participation by QTPs;

2.4. The participation as a QTP shall be open to any party, including but not limited to private firms, local government units, cooperatives, non-government organizations, generation companies or their subsidiaries or subsidiaries of DUs who has demonstrated the capability and willingness to comply with the relevant technical financial, and other requirements through a Competitive Bidding for QTP. A DU or its subsidiary shall not be qualified to participate as a QTP for the area/s it has waived;

2.5. All QTPs shall adopt the least-cost and most efficient technology options in serving QTP Service Areas;

2.6. The NPC-SPUG shall be responsible for providing power generation and its associated power delivery systems in QTP Service Areas that are not taken by the QTPs; and
2.7. To encourage investments and private sector participation in QTP Program, the DOE shall coordinate with ERC on the setting of the FCRR levels that may be applied in the QTP Service Areas.

Section 3. Scope.

This Circular shall apply to the provision of electricity services in Unviable or Unserved Areas and Underserved electricity customers.

Section 4. Definition of Terms.

4.1. "Authority to Operate" refers to the license being granted to QTPs for providing electricity services in QTP Service Areas.

4.2. "Competitive Bidding for QTP" refers to a method of procurement which is open to participation by any interested party and consists of the following processes: advertisement/publication and posting, pre-bid conference, Bid submission and evaluation, post-qualification and award of contract.

4.3. "Department of Energy" or "DOE" refers to the government agency created pursuant to Republic Act No. 7638, as amended.

4.4. "Distribution Utility" or "DU" refers to any Electric Cooperative, private corporation, government-owned utility or existing local government unit which has an exclusive franchise to operate a distribution system in accordance with its franchise and the EPIRA.

4.5. "Electric Cooperative" or "EC" refers to an electric distribution utility organized and registered pursuant to Presidential Decree No. 269, as amended.

4.6. "Energy Regulatory Commission" or "ERC" refers to the regulatory agency created under the EPIRA.

4.7. "Full Cost Recovery Rate" or "FCRR" refers to the rate, expressed in Peso per kilowatt-hour, that allows the recovery of the full efficient costs of sustaining the generation, distribution and supply of electricity in QTP Service Areas served by QTPs as may be authorized by the ERC.

4.8. "Missionary Electrification" refers to provision of basic electricity service in Unviable Areas with the ultimate aim of bringing the operations in these areas to viability levels.

4.9. "Missionary Electrification Development Plan" or "MEDP" refers to the five-(5) year plan of the DOE, updated annually, to implement the Government's missionary electrification program including those projects to be funded through the Universal Charge for Missionary Electrification.

4.10. "National Electrification Administration" or "NEA" refers to the Government agency created under Presidential Decree No. 269, as amended.
4.11. "National Power Corporation" or "NPC" refers to the government corporation created under Republic Act No. 6395, as amended.

4.12. "Qualified Third Party" or "QTP" refers to the alternative electric service provider duly qualified and authorized by the ERC to serve QTP Service Areas pursuant to Section 59 of the EPIRA and Rule 14 of the EPIRA-IRR, and as prescribed in this Circular for the purpose of attaining and accelerating the total electrification of the country.

4.13. "QTP Service Area" refers to Unviable or Unserved and Underserved Area where QTP shall provide missionary electrification service.

4.14. "QTP Service Contract" or "QSC" refers to the agreement between the DU or NPC-SPUG and the QTP, defining among others the responsibilities of the parties, the terms and conditions including the applicable performance and service standards, in providing the missionary electrification in QTP Service Area.

4.15. "Renewable Energy Resources" refers to energy resources that do not have an upper limit on the total quantity to be used. Such resources are renewable on a regular basis and the renewable rate is rapid enough to consider available over an indefinite time. These include, among others, biomass, solar, wind, hydro and ocean energy.

4.16. "Small Power Utilities Group" or "SPUG" refers to the functional unit of NPC-SPUG created to pursue Missionary Electrification functions.

4.17. "Underserved Area" refers to an area where electricity services are less than twenty-four (24) hours daily which is currently served by individual home system, microgrid system or distribution facilities because of non-implementation of applied capital expense projects, non-compliance with the service parameters of the Philippine Distribution Code, or any other reason, resulting to an overall failing mark based on the latest annual technical evaluation of performance of distribution system in relation to ERC's imposed targets.

4.18. "Unserved Area" refers to an area with no electricity access, distribution system lines, individual home system, or connection to any microgrid system.

4.19. "Unviable Area" refers to a geographical area within the franchise area of a DU where the immediate extension of the distribution line is not feasible, as defined by Rule 4 (ssss) of the EPIRA-IRR. Areas that are currently served by the DUs but are deemed unviable on account of huge operating costs shall also mean Unviable areas as defined herein. For the purpose of this Circular, huge operating costs mean that the costs on the construction and the daily operations and maintenance of the facility, will negatively affect the entire financial position of the DUs.
Section 5. Responsibilities of the DOE.

The DOE shall:

5.1. Determine and incorporate in the MEDP, the QTP projects for QTP Service Areas;

5.2. Declare Unviable, Unserved and Underserved Areas that are open for the QTP Program;

5.3. Oversee the implementation by the DU or NPC-SPUG of the QTP Program and coordinate any related activities that will contribute to its effective implementation;

5.4. Endorse the QTP Service Areas to NPC-SPUG for the conduct of Competitive Bidding in the event that the DU fails to conduct its Competitive Bidding for QTP within twenty (20) working days from receipt of DOE's notice directing the concerned DU to commence with the bidding;

5.5. Declare all Unviable, Unserved and Underserved Areas, which are not identified and endorsed by the DUs as QTP Service Areas and are nominated by the QTP proponents, subject to DOE's validation; and

5.6. Issue the eligibility requirements and the templates for QSC containing its minimum provisions and QTP quarterly report through its website not later than twenty (20) working days upon the effectivity of this Circular.

Section 6. Responsibilities of the ERC.

The ERC shall:

6.1. Take appropriate action on the request of the DU to transfer unenergized areas to another DU, which will provide the service, if any is available;

6.2. Determine the appropriate tariff rate for all customer classes to be served by the QTP and its FCRR, within the period prescribed by law and other related issuances; and

6.3. Provide the necessary regulatory support for the effective implementation of this Circular.

Section 7. Responsibilities of the NEA.

The NEA shall:

7.1. Evaluate and verify the Unviable, Unserved and Underserved areas submitted by ECs as QTP Service Areas and submit its recommendations to the DOE in accordance with this Circular not later than March 15 of every year;
7.2. Assist the DOE in monitoring the QTP Program, including but not limited to the household electrification in areas under the ECs;

7.3. Oversee the conduct of Competitive Bidding for QTP by the ECs; and

7.4. Conduct appropriate information and education campaign among ECs to allow private sector participation in the provision of electricity services within the ECs franchise areas.

Section 8. Responsibilities of the NPC-SPUG.

The NPC-SPUG shall:

8.1. Continue to perform missionary electrification by providing power generation and its associated power delivery systems;

8.2. Conduct the Competitive Bidding for the QTPs to serve the QTP Service Areas with reference to Section 16.5 of this Circular;

8.3. Execute the QSC with the selected QTP with reference to Section 17.4.7 of this Circular, in accordance with the minimum terms and conditions as provided in the template; and

8.4. Provide the electricity service in areas that are not taken by the QTPs.

Section 9. Responsibilities of the DUs.

The DUs shall:

9.1. Submit the Distribution Development Plan (DDP) together with the Total Electrification Master Plan. The DU pursuant to the directive to pursue the total electrification of their franchise areas shall prepare and submit its comprehensive Total Electrification Master Plan and shall contain detailed inventory of all Unviable, Unserved and Underserved areas within their franchise;

9.2. Conduct the Competitive Bidding for the QTPs to serve the QTP Service Areas within the period provided in this Circular; and

9.3. Execute the QSC with the selected QTP with reference to Section 16.4.7 of this Circular, in accordance with the template to be provided by the DOE.

Section 10. Responsibilities of the QTP Proponents.

The QTP Proponents shall:

10.1. Secure the necessary permits and licenses from the relevant government agencies; and
10.2. Comply with all provisions, including the financial, technical, environmental and other performance standards for the QTP and the requirement of a Service Contract with the DOE, if applicable.

Section 11. Responsibilities of the QTPs.

The QTPs shall:

11.1. Comply with all applicable provisions of the Distribution Code, including the requirement to obtain a Certificate of Compliance for its Generation Facilities and other permits the ERC may require;

11.2. Operate and maintain properly its facilities to provide services in the QTP Service Area in an efficient and sustainable manner;

11.3. Comply, as a mandated participant, with the RPS Off-Grid Rules; and

11.4. Submit quarterly reports to the DOE, NEA, NPC-SPUG and ERC on its financial, technical, and operational performance pursuant to Rule 14 of the EPIRA IRR. The report shall in accordance with the template to be provided by the DOE.

The QTP may apply to Congress for an electricity distribution franchise.

Section 12. Declaration of QTP Service Areas of the DUs.

The DOE hereby adopts the following procedures in the declaration of QTP Service Areas of the DUs:

12.1. Consistent with Section 23 of EPIRA, Section 4 (p) of Rule 7, and other DOE Circulars, the DUs shall include in the preparation of its annual DDP, the proposed QTP Service Areas, which is submitted not later than 15th of March of every year for integration to the Power Development Plan (PDP) and Philippine Energy Plan (PEP). For ECs, the preparation and submission to the DOE shall require the verification by the NEA;

12.2. All Unviable, Unserved and Underserved Areas, which the DU cannot provide electricity services for whatever reason, shall be open for participation by QTPs;

12.3. The DOE shall consolidate and make available to the public the list of QTP Service Areas within forty (40) working days upon finalization and posting of the Comprehensive Total Electrification Master Plan;

12.4. All Unviable, Unserved and Underserved Areas, which are not submitted by the DUs as QTP Service Areas, may be nominated by the QTP proponent to the DOE, subject to the latter’s validation and declaration; and

12.5. The DOE shall declare and post in the DOE website the list of QTP Service Areas.
Section 13. Nomination of NPC-SPUG Service Area as QTP Service Area.

All areas being served by the NPC-SPUG shall be open for nomination by the QTP proponents.

Section 14. Bids and Awards Committee for QTP

14.1. TP Bids and Awards Committee (QTP-BAC)

14.1.1. Each Board of Directors (BOD) of the DU or NPC-SPUG shall establish an independent QTP-BAC to spearhead and manage the Competitive Bidding for QTP. The QTP-BAC shall comply with the policy and procedures in the conduct of Competitive Bidding for QTP, as provided for in this Policy.

14.1.2. The BOD of the DU or NPC-SPUG shall designate five (5) members of the QTP-BAC;

For all DUs or NPC-SPUG, the QTP-BAC shall be submitted to the DOE for posting in the DOE website. The BOD of the DU or NPC may only serve as an observer and not as a member of the QTP-BAC.

14.1.3. The Chair and Vice Chair shall be selected by the members of the QTP-BAC. The Chairman shall only vote in case of a tie.

14.1.4. A quorum of the QTP-BAC shall be composed of a simple majority of all voting members of the QTP-BAC.

14.2. QTP-BAC Technical Working Group (TWG) and Secretariat

14.2.1. The BOD of the DU or NPC-SPUG shall designate its own QTP-BAC TWG and QTP-BAC Secretariat, to be headed by a regular or permanent employee of the DU or NPC-SPUG, preferably an officer, to assist the QTP-BAC in the performance of its functions.

14.2.2. The QTP-BAC TWG shall be composed of technical, legal and financial personnel of the DU or NPC-SPUG.

14.2.3. The QTP-BAC TWG shall assist the QTP-BAC in the technical components of the Competitive Bidding for QTP, such as development of the QSC, TOR, eligibility screening, evaluation of bids, and post-qualification.

14.2.4. The QTP-BAC Secretariat shall provide administrative support to the QTP-BAC for this purpose and serve as the keeper of all records and documents relating to all Competitive Biddings for QTP conducted by the DU or NPC-SPUG.
14.2.5. The QTP-BAC Secretariat shall fully document each step of the Competitive Bidding for QTP and prepare and keep a written minutes of all the QTP-BAC meetings and proceedings.

Section 15. Preparation of Bid Documents for the Competitive Bidding for QTP.

15.1. The DU or NPC-SPUG shall prepare the Bid Documents and Terms of Reference (TOR), which include at the minimum the following:

15.1.1. Invitation to bid;
15.1.2. Bidding schedule;
15.1.3. Load Profile;
15.1.4. Demographic profile of the QTP Service Area including the existing electricity provider;
15.1.5. Potential renewable energy resources;
15.1.6. Target date of project commissioning;
15.1.7. Plan for compliance with the Philippine Small Grid Guidelines;
15.1.8. Plan for compliance with the Renewable Portfolio Standard Guidelines of Off-grid Areas; and
15.1.9. Draft QSC in accordance with the template herein provided.

15.2. The Bid Documents and TOR shall be submitted by the private DU to the DOE or to NEA in the case of the ECs, for review and evaluation, within twenty (20) working days after the date of posting of the QTP Service Areas. Thereafter, the NEA shall endorse the Bid Documents and TOR to the DOE within seven (7) working days.

15.3. The DOE, following the existing standards and in accordance with the policies provided in this Circular, shall observe and recommend changes to the Bid Documents and the TOR when necessary, within twenty (20) working days upon receipt of the same from the private DUs and the NEA.

Section 16. Competitive Bidding for QTP by the DU.

16.1. Publication and Posting

The invitation to bid shall be:

16.1.1. Advertised at least once in a newspaper of national circulation and local newspaper of local circulation in the region, province, city or municipality where the DU is located;
16.1.2. Posted continuously in the websites of the DOE, NEA in the case of the ECs and the concerned DU, if available, for fifteen (15) consecutive calendar days upon publication; and

16.1.3. Posted at any conspicuous places within the concerned DU’s franchise area for fifteen (15) consecutive calendar days upon publication.

16.2. Pre-bid Conference

16.2.1. The DU shall conduct a pre-bid conference to address the queries from the prospective bidders.

16.2.2. The pre-bid conference shall discuss, among other things, the eligibility requirements, the TOR and the technical, legal and financial components of the QSC to be bid out.

16.2.3. The DU shall reply to the written queries or clarifications of the QTP Proponents who have purchased the Bid Documents in the form of Bid/Supplemental Bulletins.

16.2.4. Decisions of the DU amending any provision of the Bidding Documents shall be issued in writing through a Supplemental/Bid Bulletin at least seven (7) working days before the deadline for the submission and receipt of bids.

16.2.5. Supplemental/Bid Bulletins may be issued in the following circumstances:

16.2.5.1. Request of the QTP Proponents for clarification(s) on or for an interpretation of any part of the Bid Documents; and

16.2.5.2. Upon the initiative of the DU for purposes of clarifying or modifying any provision of the Bidding Documents. Any modification to the Bid Documents shall be identified as an amendment.

16.3. Receipt and Opening of Bids

16.3.1. A QTP proponent shall submit its sealed bid proposal on or before the date and time indicated in the Invitation to Bid, which must not be later than forty (40) working days from its publication and posting.

16.3.2. The opening of bids shall take place in the presence of qualified bidders and the DU.

16.4. Bid Evaluation Criteria and Process

16.4.1. The DU shall proceed with the determination the winning bidder using the evaluation criteria prescribed in the Bid Documents.
16.4.2. A bid that fails to meet all requirements in the Invitation to Bid shall not be considered. The first part of the bid shall undergo a pass/fail criteria based on financial, technical and legal qualifications, while the second part shall consider the lowest price.

16.4.3. The Competitive Bidding for QTP is deemed successful when it receives at least one (1) qualified bid. Thereafter, the qualified QTP proponent shall be subjected to a post-qualification process within ten (10) working days to determine whether the concerned bidder complies with and is responsive to all the requirement and conditions as specified in the TOR and other pertinent bidding documents.

16.4.4. The DU shall conclude the selection of the QTP within forty (40) working days from opening of bids and correspondingly issue the Notice of Award.

16.4.5. DUs shall inform the DOE, and in the case of the ECs, the NEA and the DOE, on the result of the bidding conducted. In case of two (2) failed biddings, the DOE shall endorse to the NPC-SPUG the QTP Service Areas.

16.4.6. The DU shall submit to the DOE, and in the case of the ECs, the NEA and the DOE, all updates on the Competitive Bidding for QTP in QTP Service Areas, which shall be posted in the DOE website.

16.4.7. The DU and the selected QTP shall execute the QSC within ten (10) working days after the conduct of successful bidding, in accordance with the template to be provided by the DOE.

16.4.8. All expenses incurred in the conduct of the CSP shall be shouldered by the DUs. The DUs may, however, recover these expenses from the sale of the bidding documents.

16.5. In case the DU fails to conduct the Competitive Bidding for QTP within twenty (20) working days from the declaration of the DOE of the QTP Service Areas, the NPC-SPUG shall conduct the Competitive Bidding.

Section 17. Competitive Bidding for QTP by the NPC-SPUG.

17.1. The invitation to bid shall be:

17.1.1. Advertised at least once in a newspaper of national circulation;

17.1.2. Posted continuously in the websites of the DOE and NPC-SPUG for fifteen (15) consecutive calendar days upon publication; and

17.1.3. Posted at any conspicuous places within the NPC's area for fifteen (15) consecutive calendar days upon publication.

17.2. Pre-bid Conference
17.2.1. The NPC-SPUG shall conduct a pre-bid conference to address the queries from the prospective bidders.

17.2.2. The pre-bid conference shall discuss, among other things, the eligibility requirements, the TOR and the technical, legal and financial components of the QSC to be bid out.

17.2.3. The NPC-SPUG shall reply to the written queries or clarifications of the QTP Proponents who have purchased the Bid Documents in the form of Bid/Supplemental Bulletins.

17.2.4. Decisions of the NPC-SPUG amending any provision of the Bidding Documents shall be issued in writing through a Supplemental/Bid Bulletin at least seven (7) working days before the deadline for the submission and receipt of bids.

17.2.5. Supplemental/Bid Bulletins may be issued in the following circumstances:

17.2.5.1. Request of the QTP Proponents for clarification(s) on or for an interpretation of any part of the Bid Documents; and

17.2.5.2. Upon the initiative of the NPC-SPUG for purposes of clarifying or modifying any provision of the Bidding Documents. Any modification to the Bid Documents shall be identified as an amendment.

17.3. Receipt and Opening of Bids

17.3.1. A QTP proponent shall submit its sealed bid proposal on or before the date and time indicated in the Invitation to Bid, which must not be later than forty (40) working days from the publication and posting of the Invitation to Bid.

17.3.2. The opening of bids shall take place in the presence of qualified bidders and the NPC-SPUG.

17.4. Bid and Evaluation Criteria and Process

17.4.1. The NPC-SPUG shall proceed with the determination the winning bidder using the evaluation criteria prescribed in the Bid Documents.

17.4.2. A bid that fails to meet all requirements in the Invitation to Bid shall not be considered. The first part of the bid shall undergo a pass/fail criteria based on financial, technical and legal qualifications, while the second part shall consider the lowest price.
17.4.3. The Competitive Bidding for QTP is deemed successful when it receives at least one (1) qualified bid. Thereafter, the qualified QTP proponent shall be subjected to a post-qualification process within ten (10) working days to determine whether the concerned bidder complies with and is responsive to all the requirement and conditions as specified in the TOR and other pertinent bidding documents.

17.4.4. The NPC-SPUG shall conclude the selection of the QTP within forty (40) working days and issue the Notice of Award.

17.4.5. The NPC-SPUG shall inform the DOE on the result of the Competitive Bidding for QTP conducted. In case of two (2) failed biddings, the NPC-SPUG shall be the electricity services provider in the QTP Service Areas as a last resort.

17.4.6. The DOE shall post all updates on the Competitive Bidding for QTP in the DOE website.

17.4.7. The NPC-SPUG and the selected QTP shall execute the QSC within ten (10) working days after the conduct of successful bidding, in accordance with the template to be provided by the DOE.

Section 18. Filing with the ERC.

The QTP shall file an application with the ERC for the Authority to Operate, which shall include the QTP FCRR.

Section 19. Subsidy.

The provision of financial support to eligible consumers in QTP Service Areas shall be in accordance with the policy and program on rationalization of subsidies as provided for in Rule 10 of Department Circular No. DC2019-01-0001, otherwise known as the "Prescribing Omnibus Guidelines on Enhancing Off-Grid Power Development and Operation".

Section 20. Transitory Provision.

This Circular shall be applied prospectively and shall not cover all pending QTP applications.

Section 21. Repealing Clause.

Department Circular Nos. DC2004-06-006 and DC2005-12-011 are hereby amended or repealed accordingly.

Any issuances which are inconsistent with the provisions of this Circular are hereby repealed, amended or modified accordingly.
Section 22. Separability Clause.

If for any reason, any provision of this instrument/circular is declared unconstitutional or invalid, the other parts or provisions hereof which are not affected thereby shall be continue to be in full force and effect.

Section 23. Effectivity.

This Circular shall take effect after fifteen (15) days after publication in two (2) newspapers of general circulation. Certified true copies thereof shall be filed with the University of the Philippines Law Center.

DOE, Energy Center, Fort Bonifacio, Taguig City, Metro Manila.