



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

DEPARTMENT ORDER NO. DO2023-05-0015 /

ENJOINING THE ENERGY REGULATORY COMMISSION (ERC) AND OTHER CONCERNED ENTITIES TO ENSURE NON-DISCRIMINATORY TREATMENT OF GENERATING FACILITIES UTILIZING LIQUEFIED NATURAL GAS (LNG) IN ACCORDANCE WITH THEIR RESPECTIVE MANDATES

WHEREAS, Section 5 of Republic Act (RA) No. 7638 or the Department of Energy Act of 1992, as amended by Section 37 of RA 9136 or the Electric Power Industry Reform Act of 2001, mandates the Department of Energy (DOE), among others, to:

1. 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;
2. Ensure the reliability, quality, and supply of electric power;
3. Encourage private sector investments in the electricity sector;
4. 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; and
5. 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;

WHEREAS, the DOE, in the PEP 2020-2040, recognized the need to outsource natural gas in the future in view of the depleting supply of indigenous natural gas to address the increasing demand for electricity while ensuring the continuous operation of the existing natural gas-fired power plants and the entry of new ones in the country. The PEP 2020-2040, which is geared towards a sustainable and clean energy future, explicitly states the following:

1. Sustainability and availability of energy requires to wean away from traditional sources and development of alternative ones; and
2. Introduction of LNG as a transition fuel;

WHEREAS, the DOE, in line with its mandate and the objective of the PEP 2020-2040, supports the importation of LNG and likewise aims to make the Philippines as an LNG trading and trans-shipment hub in the Asia-Pacific Region through the development and operation of LNG receiving facilities. This strategy is aligned with the natural gas industry development in the country to ensure the continued operation of existing natural gas-fired power plants, as well as future natural gas projects;

NOW THEREFORE, in view of the foregoing and in view of the overarching policy of ensuring energy supply security and reasonably priced cost of electricity, the DOE hereby declares and orders the following:

1. It is recognized that LNG differs from indigenous natural gas, such as Malampaya, in terms of source and pricing and the manner/process of delivery to the power plant. The natural gas from Malampaya is delivered to the power plant via a production platform and transport pipeline. Whereas, the LNG is imported and transported to the country via LNG carrier, regasified in the LNG storage and regasification terminal, and delivered to the power plant. Accordingly, it is recognized that there are significant differences between the two in terms of technology and cost components, including capital and operating costs;
2. The ERC, with due recognition of its ratemaking authority, is enjoined to ensure that the allocation or pass through of bulk purchase cost by distributors of electricity sourcing from the LNG-fired power plants is transparent, non-discriminatory and provides for just recovery of costs associated to the provision of LNG as fuel for power generation;
3. The Market Operator, the System Operator, and the Wholesale Electricity Spot Market (WESM) Governance Arm shall ensure that all LNG-fired power plants and players are afforded a level playing field in accordance with the WESM Rules and relevant guidelines covering entry and dispatch of generating units in the WESM and the power system.

Finally, all DOE units, within their respective mandates and jurisdictions, shall provide all the necessary support for the smooth entry, operational viability, and timely commercial operation of the LNG-fueled power plants in the power system.

This Order shall take effect immediately.

Issued this ___ day of May 2023 at the DOE, Energy Center, Rizal Drive cor. 34th St., Bonifacio Global City, Taguig City.


RAPHAEL P. M. LOTILLA
Secretary



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