

DEPARTMENT CIRCULAR NO. _____

IMPLEMENTING GUIDELINES ON THE PREPARATION AND DEVELOPMENT OF THE ANNUAL WORK PROGRAM UNDER SECTION 6(a), RULE 29 (A) OF THE IMPLEMENTING RULES AND REGULATIONS OF REPUBLIC ACT NO. 9136, OTHERWISE KNOWN AS "ELECTRIC POWER INDUSTRY REFORM ACT OF 2001"

WHEREAS, Energy Regulations ("E.R.") No. 1-94 implementing Section 5(i) of R. A. No. 7638, otherwise known as the "Department of Energy Act of 1992", grant financial benefits to the host communities of the energy-generation company and/or energy resources;

WHEREAS, Section 66 of R. A. No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001" and Rule 29(A) of its Implementing Rules and Regulations or EPIRA-IRR which requires all energy generation companies and/or energy resource developers to provide financial benefits equivalent to one centavo per kilowatt-hour (P0.01/kWh) of the total electricity sales of the generation facility to the region, province, city or municipality and barangay that host the generation facility as well as the establishment of corresponding trust accounts and the administration thereof by the DOE;

WHEREAS, there is a need to strengthen the cooperation among the energy resource developers and/or power producers and the host LGUs/Region/s through direct involvement that will expedite and streamline the processes of the project submission, evaluation, approval and realization of benefits to the communities/people affected through simplified implementation procedures;

WHEREAS, the Department has issued an advisory letter to the host and non-host communities on the process flow in availing of the financial benefits under the E.R. No. 1-94 (Benefits to Host Communities) Program;

WHEREAS, there is a need to enforce strict compliance of Section 6(a), Rule 29 (A) of EPIRA-IRR by the Generation Company and/or Energy Resource Developer on the submission of the Annual Work Program (AWP) to the DOE not later than 15 March of every year to ensure the equitable share of resources among host LGUs and Region Share even for non-host LGUs by integrating the local development plan of host communities to AWP;

WHEREAS, the Department deemed it imperative to issue an implementing guidelines on the preparation and development of the AWP to guide the Generation Company and/or Energy Resource Developer for endorsement to the DOE as well define the roles and responsibilities of the parties involved;

WHEREFORE, premises considered, the DOE, with the approval of the JCPC adopts and promulgates the Implementing Guidelines on the Preparation of the AWP under Section 6 (a), Rule 29(A) of the Implementing Rules and Regulations of Republic Act No. 9136.

1 **NOW, THEREFORE, FOR AND IN CONSIDERATION OF THE FOREGOING PREMISES**, the DOE
2 hereby promulgates the following guidelines on Section 6(a) Rule 29 (A) of the EPIRA-IRR on the
3 Benefits to Host Communities.

4
5 **Section 1. POLICY OBJECTIVE**

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7 This Circular is being issued to provide information and guidance on the preparation, development
8 and submission of the Annual Work Program (AWP) for the ER No. 1-94 as indicated under Section
9 6(a), Rule 29(Part A) of the EPIRA-IRR. Said guideline details the procedures as well as roles and
10 responsibilities of the parties involved.

11
12 **Section 2. POLICY THRUSTS**

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14 The DOE hereby adopts the following policy thrusts in the preparation and development of the Annual
15 Work Program:

- 16
17 a) To optimize and rationalize the equitable share of resources among host LGUs and Region
18 Share to include non-host LGUs by integrating the local development plan in the submission
19 of the AWP;
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21 b) To ensure that the Benefits to Host Communities Program directly be used as an effective tool
22 for poverty alleviation and rural development; and,
23
24 c) To comply to the requirement of Section 6a, Rule 29 (A) of the EPIRA-IRR.

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26 **Section 3. SCOPE OF APPLICATION**

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28 The Guidelines on the preparation, development and submission of the Annual Work Program under
29 ER No. 1-94 shall be observed by the host communities and host region as assisted by the Generation
30 Facilities and/or Energy Resource Developers.

31
32 The Guidelines supplement the existing ER No. 1-94 implementing guidelines of the Department as
33 regard their requirements.

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35 **Section 4. ANNUAL WORK PROGRAM (AWP) FRAMEWORK**

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37 The following rule shall govern the preparation and development of the Annual Work Program:

38
39 a) **Submission of Annual Work Program**

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41 The host communities and host region shall prepare an Annual Work Program and submit, in
42 print and in electronic copy, to DOE not later than 15 March of every year. It is expected that
43 said annual Work Program has been reviewed and validated by the Generation Company
44 and/or Energy Resource Developer with proper endorsement to DOE. The annual work
45 program shall follow a prescribed format (Annex A) containing information on the following:

- 46
47 a.1 **Project Title and Description:** includes information on the project proponent, location
48 of project site as well details on project type and specifications
49 a.2 **Expected Output/Accomplishment:** information on the expected physical output /
50 accomplishments
51 a.3 **Estimated Budgetary Requirement:** information on funding requirement and fund
52 utilization on ER No. 1-94, to date.

1 a.4 **List of Beneficiaries:** list of communities, households and individuals benefitted by the
2 project.

3
4 a.5 **Funding and Timing of Projects to be Implemented:** on time, on budget and with best
5 results.

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7 The primary consideration, as much as possible, is to implement the project according to
8 specified and approved timeline within the context of complete documentation,
9 availability of funds, no outstanding/unliquidated project funds and streamlined process.

10
11 a.5.1a For existing GENCOs – provision of available and audited
12 Accrued Financial Benefits (AFB)

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14 a.5.2a Newly-engaged GENCOs in the program – electricity sales
15 forecast based on the dependable capacity which the
16 GENCOs can generate minus own use and system losses

17
18 a.5.2 Allowance for Deviation – should be approved by DOI , with no additional
19 fund release required but because of emergency interventions or situation.

20
21 a.5.3 In Case of Emergency - for areas stricken by calamity or Acts of God, where a
22 particular project needs to be implemented in order to improve the situation and provide
23 “rapid response”.

24
25 a.6. **Remarks:** Other information relative to the proposed annual work program / list of
26 project proposal/s.

27
28 The proposed projects of the following types under Electrification Fund (EF), Development
29 and Livelihood Fund (DLF) and Reforestation, Watershed Management, Health and
30 Environment Enhancement Fund (RWMHEEF) can qualify and be included in the AWP for the
31 ER No. 1-94.

32
33 It is assumed that the host LGUs and host region has conducted the minimum social
34 preparation activities such as, but not limited to, community consultations and orientations
35 in its preparation of the annual work program for the ER No. 1-94 to ensure greater
36 stakeholder/community participation as well as consistency in their local/regional
37 development plans.

38
39 Once the AWP for the ER 1-94 has been finalized by the host communities, an accompanying
40 legislative/sangguniang resolution must be submitted to the Department to firm-up support
41 to said AWP including a sworn certification by the host LGU/Region that the listed projects
42 under AWP shall be funded only through ER No. 1-94 and that is also included in the Annual
43 Investment Plan of the host LGUs.

44
45 **b. Validation of the Annual Work Program**

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47 Prior to endorsement to DOE, the Generation Company and/or Energy Resource Developer
48 shall undertake review and validation of the annual work program as proposed by its host
49 LGUs and host region.

1 It shall assess whether the propose projects can promote rural development, uplift socio-
2 economic conditions, address environmentally critical situation, improve health, among
3 others.
4

5 Other considerations to be observed by the Generation Company and/or Energy Resource
6 Developer in the review and validation of the proposed projects under the AWP as submitted
7 by their host communities are the following: a) It supports the local development plan of the
8 host communities; b) It is not a duplication of any ongoing, completed or pipeline projects in
9 terms of area coverage and project activities; c) It must be sustainable – meaning, it has the
10 ability to continue even after the completion of the project; and, d) The proponent/LGU has
11 the technical and managerial capability to carry-out the project.
12

13 For projects requiring the participation or cooperation of non-government entities, the
14 linkages and role must be well-defined and stipulated in appropriate legal document such as
15 Memorandum of Agreement.
16

17 The Generation Company and/or Energy Resource Developer shall then prepare a validation
18 report containing the results of the validation process conducted. In the case when the
19 validation report showed errors or discrepancies in the information presented by a specific
20 host LGU or region, the host community will be asked to rectify these errors or provide an
21 explanation for these discrepancies prior to finalization and submission of the validated
22 annual work program by the Generation Company and/or Energy Resource Developer to DOE.
23

24 Whenever applicable, the following existing national standards/guidelines, laws and policies
25 shall be adhered to and/or requirements complied with, to facilitate the review and
26 evaluation of the proposals as stated in the submitted annual work program.
27

28 **c. Submission of Validated Annual Work Program**
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30 Based on the results of the validation, the Generation Company and/or Energy Resource
31 Developer shall endorse the validated AWP to the Electric Power Industry Management
32 Bureau through the Rural Electrification Administration and Management Division (EPIMB-
33 REAMD), which shall then forward within ten (10) working days to the Office of the
34 Undersecretary for Power, the validated annual work program on ER No. 1-94, copy furnished
35 the Office of the Secretary - Department of Energy for information and monitoring purposes.
36

37 Also, upon receipt of the validated AWP, the EPIMB-REAMD shall then proceed to program
38 funds for the implementation of the proposed ER No. 1-94 projects. The process and
39 documents flow for the evaluation and approval of ER No. 1-94 projects is attached as Annex
40 B.
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42 The undersecretary for Power is hereby authorized to issue additional guidelines as may be
43 necessary to implement this Circular.
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45 **d. Web-Posting of Validated Annual Work Program**
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47 For transparency and accountability purposes, the DOE shall be responsible for ensuring that
48 the Annual Work Program are posted in the official websites of DOE and the Generation
49 Company and/or Energy Resource Developer within five (5) days upon receipt of the validated
50 Annual Work Program.
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1 e. Project Financial Review and Audit

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3 The Financial Services of the Department shall still continue to conduct the financial audit and
4 review on the uses and liquidation of the project funds under the ER No. 1-94 including the
5 total electricity sales of the Generation Companies as well as other documents relative to F.R.
6 No. 1-94.
7

8 **Section 5. IMPACT EVALUATION**

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10 After the institutionalization of the annual work program for the ER No. 1-94, said policy guideline
11 shall be revisited and relevant stakeholders will be reconvened, to include the semi-annual interface
12 with the COMRELS of the Power Plants, to share their experiences, insights, feelings on the impact of
13 the annual work program on facilitating the implementation of the ER No. 1-94 Program.
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15 **Section 6. OTHER PROVISION**

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17 If after March 15 of every year, the Generation Company and/or Energy Resource Developer fails to
18 comply with the submission of the annual work program of its host communities, the DOE shall not
19 evaluate/process any project proposals of said host communities provided however, that the
20 Generation Company and/or Energy Resource Developer shall show cause the reason for non-
21 submission with approval from DOE.
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23 **Section 7. REPEALING CLAUSE**

24
25 Provisions from previous issuances that are inconsistent or contrary to the provisions of this order are
26 hereby repealed/rescinded.
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28 **Section 8. SEPARABILITY**

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30 If any provision of this Order is declared invalid, the other provisions not affected thereby shall remain
31 valid and subsisting.
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33 **Section 9. EFFECTIVITY**

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35 This order shall take effect immediately upon its approval by the Secretary of the Department of
36 Energy.
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41 Issued this ___th day of _____ 2016 in Bonifacio Global City, Taguig City, Metro Manila.
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46 **ALFONSO G. CUSI**
47 **SECRETARY**
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49

50 Annex A: *Draft Annual Work Program Format*

51 Annex B: *E.R. No. 1-94 Process Flow*