



Department Circular No. DC2019-11-0015

Prescribing Revised Guidelines for Qualified Third Party



PRESENTATION OUTLINE

- 1 Background
- 2 Status of Energization
- 3 Electrification Strategies for Unserved/Underserved Areas
- 4 Qualified Third Party (QTP) Program
- 5 Salient Features of the Draft Circular
- 6 Way Forward



Status of Household Electrification

Initial Estimate as of June 2019

2 Million Households remains unserved out of **22.98 Million Households** in the country

(Based on DU's Total Electrification Masterplan)

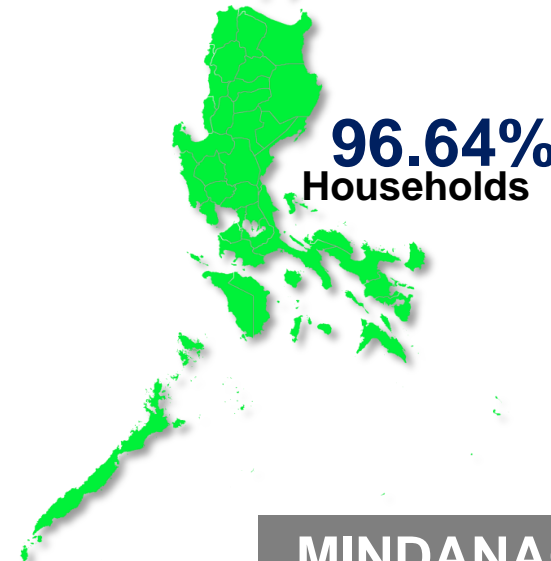


Distribution Utilities (in Millions HH)	HH Population	Served HH	HH Electrification Level (%)
Luzon	13.31	14.06	100.00%
Visayas	4.40	4.23	96.00%
Mindanao	5.27	4.31	81.87%
Philippines	22.98	22.60	98.33%

Note:
 Potential HHs is based on Philippine Statistics Authority - 2015 Population Census
 Served June Update from Non-Ecs (AEC, CELCOR, CEPALCO, CLPC, DLPC, FBPC (BELS), ILPI, MMPC, OEDC, PECO, SFELAPCO, VECO)
 Served June 2019 Update from ECs based on NEA Report

Philippines **98.33% HHs**

LUZON



VISAYAS



MINDANAO

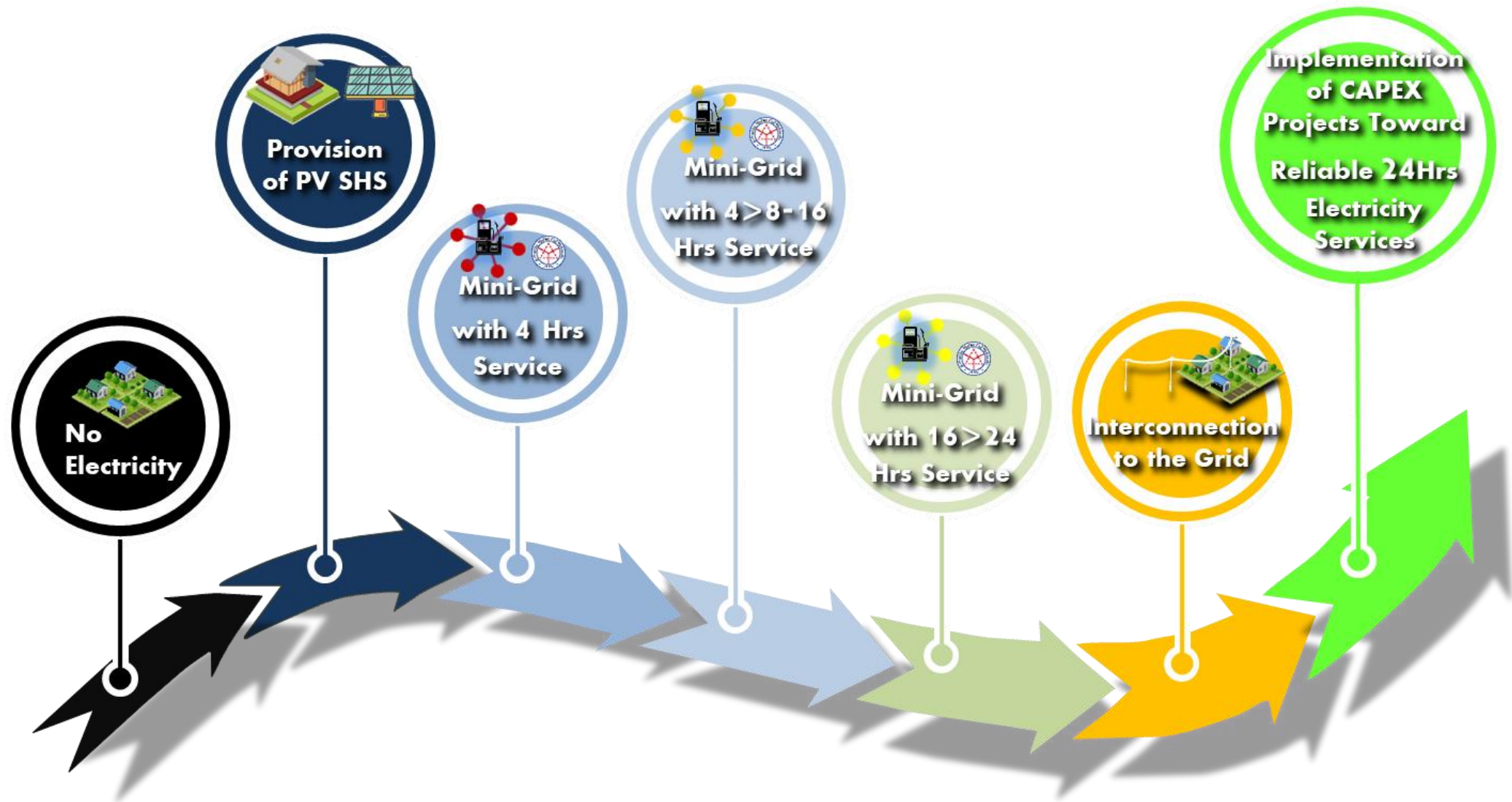


Electrification Strategies to Address Unserved/Underserved Areas

- Program-matching criteria and roll-out scheme to strategically identify appropriate electrification program per specific setup of un-electrified/underserved area/households
- Taking into consideration the **specific type of area: contiguous, island, isolated, etc. vis-as-vis the viability of the areas**
- Strategies subdivided into:
 - Household Electrification
 - Grid Electrification
 - Off-grid electrification



Strategy Handling Unserved/Underserved Areas



Rural/Missionary Electrification in the Context of the EPIRA

Rule 7, Distribution Sector, Section 4(f) – Obligations of a DU: “A Distribution Utility shall provide universal service within its franchise area, over a reasonable time, including unviable areas, as part of its social obligations...

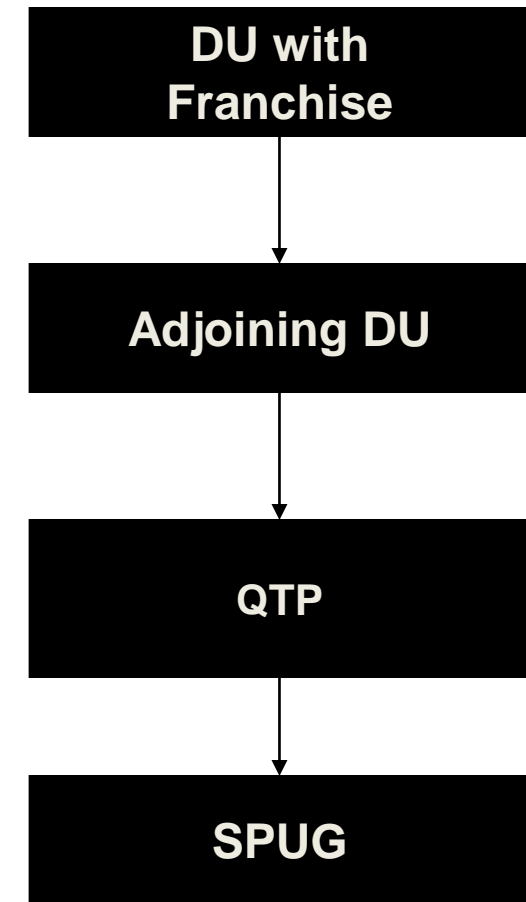
but a DU must sustain its economic viability

Rule 7, Section 6 Provision of Service in Unviable Areas. (a) Unenergized areas that a DU does not find viable may be transferred to another DU, if any is available, ...subject to approval of ERC.”

Rule 14, Provision of Electricity by QTPs, Section 1 – Guiding Principle: “... The provision of electric service in remote and unviable areas that DU is unable to service for any reason shall be opened to other qualified third parties...”

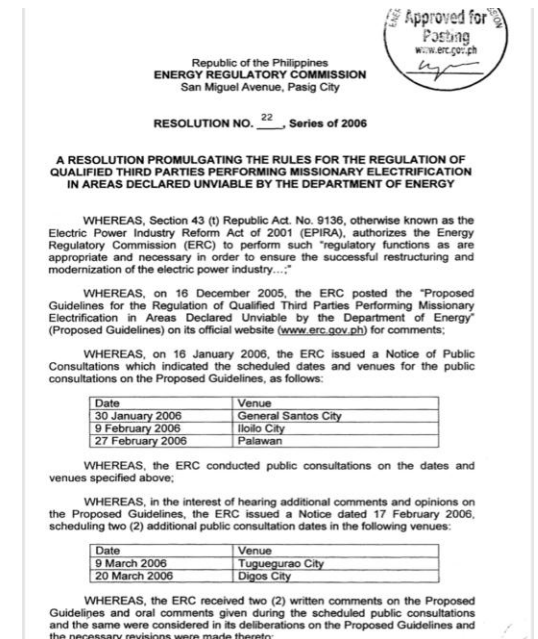
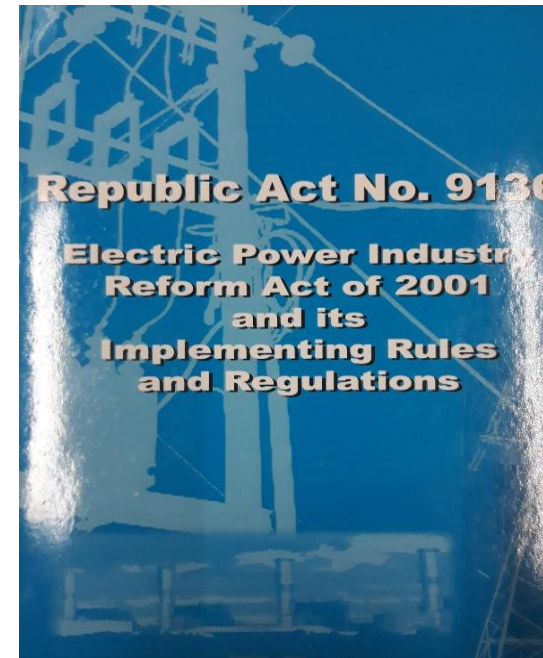
Rule 13, Missionary Electrification, Section 3(a) – Obligations of SPUG: “SPUG shall be responsible for providing power generation and its associated power delivery systems in areas that are not connected to the grid and cannot be serviced by Distribution Utilities and other qualified third parties.”

SPUG is the implementer of last resort



Qualified Third Party (QTP) Program

- **Sec. 57 of EPIRA and Rule 14 of its IRR:**
“The provision of electric service in remote and Unviable Areas that the DU is unable to service for **any reason** shall be opened to other qualified third parties.”
- **Department Circular (DC) No. 2004-02-002**
“Prescribing Guidelines for the Formulation of Five- Year Distribution Plan (DDP)”
- **DOE Circular No. 2004-06-006** “QTP Qualification Guidelines”
- **DOE Circular No. 2005-12-011** “QTP Participation Guidelines”
“Areas currently served by the DUs but are deemed **unviable** on the account of **huge operating costs** could be offered to QTP.”
- **ERC Resolution 22 Series 2006** “Rules for the Regulation of QTPs Performing Missionary Electrification”



Policy and Regulatory Structure

- An alternate electric service provider for remote or unviable villages that DU is unable to service for any reason.
- Privilege to own, construct, and operate small-scale power generation facilities and associated power delivery system via a 10-20 year Waiver Agreement with the DU.
- Is a regulated business by the ERC.
- Contributes to the attainment of total electrification in a sustainable manner.



QTP Status as of September 2019

PROJECT LOCATION	TECHNOLOGY	TARGET HHs	PROPONENT	STATUS
Rio Tuba, Bataraza, Palawan	1.05 MW Diesel - Biomass	1744	PSPI	Operational Permanent Authority to Operate (ATO) April 2010
Malapascua, Daan-Bantayan, Cebu	750 kW Diesel	771	PSPI	Operational Permanent Authority to Operate (ATO) March 2016
Sabang, Puerto Princesa City, Palawan	Hybrid : 1.4 MW Solar + 1.2 MW Diesel + 2.3 MWh Battery	683	SREC	Operational Permanent Authority to Operate (ATO) October 2016
Candawaga & Culasian, Rizal, Palawan	268 kW Diesel	998	PSPI	Interim Relief , April 2018
Balut Island, Saranggani, Davao Occidental	690 kW Diesel	3570	PSPI	Interim Relief , April 2018
Liminangcong, Taytay, Palawan	108 kW Diesel	709	PSPI	Operational Provisional Authority to Operate (ATO) February 2016



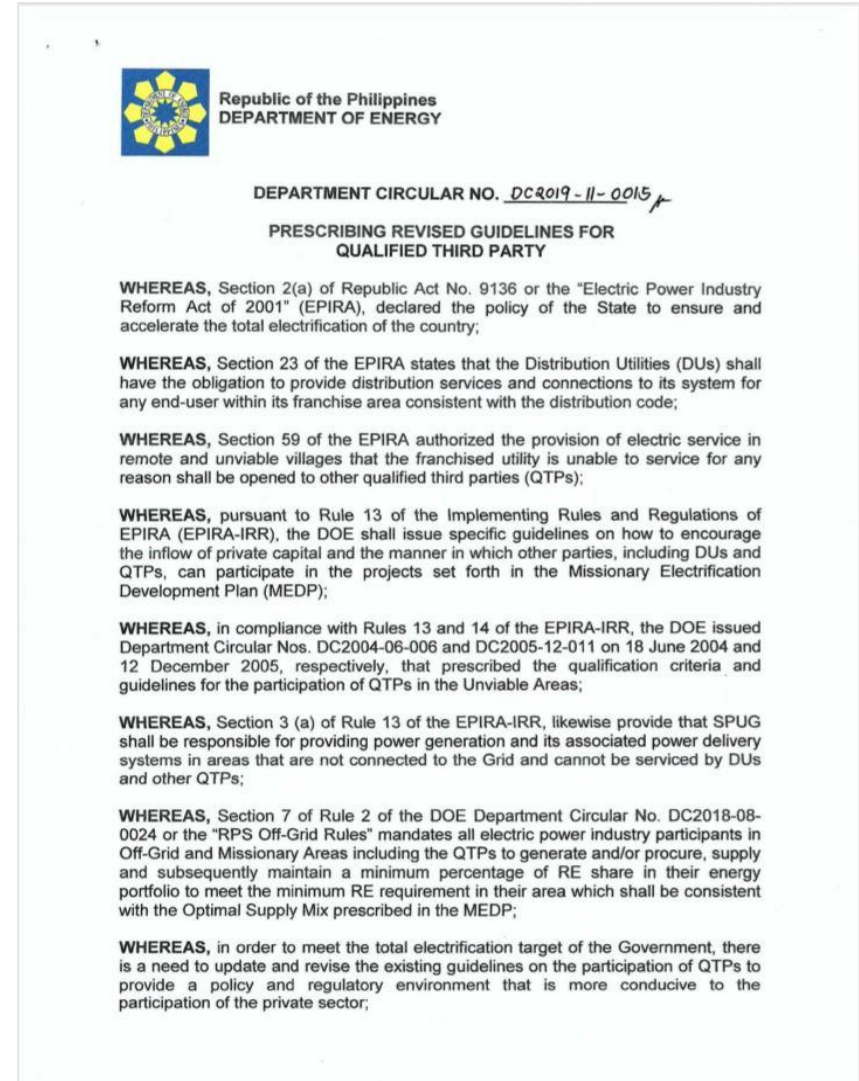
QTP Status as of September 2019

PROJECT LOCATION	TECHNOLOGY	TARGET HHs	PROPONENT	STATUS
Brgy. Tumbod, Taytay, Palawan	Line extension from Brgy. Liminangcong	395	PSPI	ERC conducted expository hearing on 25 April 2019
Lahuy Island, Haponan Island in Municipality of Caramoan and Quinasalag Island in the Municipality of Garchitorea, Camarines Sur	Lahuy Island: 246 kWp Solar + 400 kW Diesel + 79kWh Battery Haponan Island: 51.4 kWp Solar + 100 kW Diesel + 19 kWh Battery Quinalasag Island: 331 kWp Solar + 500 kW Diesel + 80kWh Battery	Lahuy: 550 HHs Haponan: 87 HHs Quinalasag: 705 HHs	FPIEC	Provisional Authority to Operate July 2019
Bgy. Poblacion, Dumarang, Palawan	Hybrid: 132.8 kWp Solar + 144 kW Diesel + 351.1 kWh Battery	331	PSPI	For filing at ERC
Bgy. Manamoc, Cuyo, Palawan	216 kW Diesel	560	PSPI	For filing at ERC
Bgy. Port Barton, San Vicente, Palawan	Hybrid: 200 kWp Solar + 609.5 kW Diesel + 200 kWh Battery	900	PSPI	For filing at ERC



Amended QTP Circular

- Streamlined the QTP participation procedures
- Recognized the greater role of the DUs in the selection of QTPs
- Harmonized with the Renewable Energy Law
 - RE Portfolio Standard for Offgrid Areas (DOE Circular 2018-08-0024)
- Strict adherence to Competitive Bidding for QTP



Who Can Participate as 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
- 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**



Revised Guidelines for Qualified Third Party

DU submits DDP to DOE after NEA review



DOE consolidates and publishes list of QTP Service Area



Revised Guidelines for Qualified Third Party

DU submits DDP to DOE after NEA review



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graph TD; A[DU submits DDP to DOE after NEA review] --> B[DOE consolidates and publishes list of QTP Service Area]; B --> C[DU or NPC conducts Competitive Bidding for QTP Service Areas];
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DOE consolidates and publishes list of QTP Service Area

DU or NPC conducts Competitive Bidding for QTP Service Areas



Competitive Bidding for QTP

- The DU shall conduct the Competitive Bidding for QTP within 20 working days from the declaration of the DOE of the QTP Service Areas, or else, the NPC-SPUG shall conduct the Competitive Bidding.
- DU/NPC shall conclude the selection of the QTP within 40 working days from opening bids to the issuance of the Notice of Award



Revised Guidelines for Qualified Third Party

DU submits DDP to DOE after NEA review



DOE consolidates and publishes list of QTP Service Area



DU or NPC conducts Competitive Bidding for QTP Service Areas



DU or NPC and the selected QTP executes QTP Service Contract



QTP shall file an application with the ERC for the Authority to Operate



Repealing Clause

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

Republic of the Philippines
DEPARTMENT OF ENERGY

DEPARTMENT CIRCULAR NO.: 2004-06-006

PRESCRIBING THE QUALIFICATION CRITERIA FOR THE
QUALIFIED THIRD PARTY PURSUANT TO SECTION 59 OF
"THE ELECTRIC POWER INDUSTRY REFORM ACT OF 2001,"
AND ITS IMPLEMENTING RULES AND REGULATIONS



Republic of the Philippines
DEPARTMENT OF ENERGY

DEPARTMENT CIRCULAR NO. DC2005-12-011

PRESCRIBING THE GUIDELINES FOR PARTICIPATION OF QUALIFIED THIRD
PARTIES (QTPs) FOR PROVISION OF ELECTRIC SERVICE IN REMOTE AND
UNVIABLE AREAS, PURSUANT TO SECTIONS 59 AND 70 OF "THE ELECTRIC
POWER INDUSTRY REFORM ACT OF 2001," AND ITS IMPLEMENTING RULES
AND REGULATIONS (IRR)



Way Forward

- Issue the following not later than 20 workings days upon the effectivity of the Circular:
 - Eligibility Requirements
 - Template of QTP Service Contract
 - Template of Quarterly Report
- Conduct IEC for the Distribution Utilities
- Consolidate and make available to the public the list of QTP Service Areas
- Verification of Areas Proposed by DUs for Alternative Service Providers
 - 376 areas based on the Electrification Masterplan submitted by the DUs





***For your comments/recommendations,
please email at:***

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Thank you.

