



Department Circular No. DC2026-01-0001

**POLICY ON ALLOWING GENERATION COMPANIES TO FINANCE AND  
CONSTRUCT ASSOCIATED TRANSMISSION PROJECTS FOR THE TIMELY  
INTEGRATION OF POWER PROJECTS CRITICAL TO THE COUNTRY'S  
ENERGY TRANSITION AND SUPPLY SECURITY**

**WHEREAS**, Section 5(a) of the Republic Act (RA) No. 7638, otherwise known as the "Department of Energy (DOE) Act of 1992," mandates the Department of Energy (DOE) to formulate policies for the planning and implementation of a comprehensive program for the efficient supply and economical use of energy consistent with the approved national economic plan and with the policies on environmental protection and conservation and maintenance of ecological balance, and provide a mechanism for the integration, rationalization, and coordination of the various energy programs of the Government;

**WHEREAS**, under Republic Act (RA) No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001" (EPIRA), it is the declared policy of the State, among others, to (a) ensure the quality, reliability, security and affordability of the supply of electric power, (b) protect the public interest as it is affected by the rates and services of electric utilities and other providers of electric power, and (c) promote the utilization of indigenous and new and renewable energy (RE) resources in power generation in order to reduce dependence on imported energy;

**WHEREAS**, Section 37 of the EPIRA mandates the DOE, among others, to (a) 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, with preferential bias for environment-friendly, indigenous, and low-cost sources of energy; (b) prepare and update annually a Power Development Program (PDP), integrating it into the PEP and considering the individual or joint development plans of the transmission, generation, and distribution sectors of the electric power industry, which are submitted to the DOE; and (c) formulate and implement a program for the accelerated development of non-conventional energy systems and the promotion and commercialization of its applications;

**WHEREAS**, Section 9 of the EPIRA provides that the National Transmission Corporation (TRANSCO) shall, among others, improve and expand its transmission facilities consistent with the Philippine Grid Code and the Transmission Development Plan (TDP) to adequately serve generation companies (GenCos), distribution utilities, and suppliers requiring transmission service and/or ancillary services through the transmission system: Provided, That TRANSCO shall submit any plan for expansion or improvement of its facilities for approval by the Energy Regulatory Commission (ERC);

**WHEREAS**, Section 9 of the EPIRA further provides that a GenCo may develop and own or operate dedicated Point-to-Point (P2P) limited transmission facilities that are consistent with the TDP: Provided, That such facilities are required only for the purpose of connecting to the transmission system, and are used solely by the generating facility, subject to prior authorization by the ERC: Provided, further, That in the event that such assets are required for competitive purposes, ownership of the same shall be transferred to the TRANSCO at a fair market value: Provided, finally, That in the case of disagreement on the fair market value, it is the ERC that shall determine the fair market value of the asset;

**WHEREAS**, under RA No. 9513, otherwise known as the "Renewable Energy Act of 2008" (RE Act), the TRANSCO or its successors-in-interest or its buyer/concessionaire, shall include the required connection facilities for RE-based power facilities in the TDP; Provided, That, such facilities are approved by the DOE consistent with the PEP RE share targets and the PDP;

**WHEREAS**, the RE Act recognizes that RE resources are location-specific and declares the RE Sector as a priority investment sector that will regularly form part of the country's Investment Priority Plan, and provides incentives to prioritize connection to the grid and dispatch of RE resources;

**WHEREAS**, consistent with the PEP and the PDP, which sets the overall direction or ensuring a secure, reliable, affordable, and sustainable power supply, there is an urgent need to ensure the timely installation, upgrading, and completion of transmission facilities to enable the integration of committed and upcoming generation projects that are essential to meet the country's energy transition and supply security goals;

**WHEREAS**, even with a GenCo constructing its own dedicated P2P facility, the existing transmission grid may still have inadequate capacity or technical constraints which prevent the effective and full dispatch of the new generation capacities, rendering the connection futile and thereby delaying the commercial operation and delivery of the committed generation capacities;

**WHEREAS**, to address such systemic constraints and effectively integrate new generation capacities, particularly those critical for energy transition and security, it is imperative to allow GenCos not only to construct their P2P facilities but also to finance and construct the Associated Transmission Projects, as defined in this Policy, or upgrades to the main grid that are necessary to accommodate their new generation capacities;

**WHEREAS**, delays in the implementation of the TDP and inadequacies in the transmission system have been identified as major contributors to the prolonged development timeliness for power projects, delaying the commercial operation and integration of committed power projects, particularly RE projects, thereby hindering the achievement of the country's energy transition targets;

**WHEREAS**, Section 13 of Commonwealth Act No. 146, otherwise known as the "Public Service Act," as amended by RA No. 11659, classifies the transmission and the distribution of electricity as public utilities, and provides that all concessionaires,

joint ventures, and other similar entities that wholly operate, manage, or control for public use the transmission and the distribution of electricity are public utilities;

**WHEREAS**, the draft Policy was posted at the DOE website on 10 October 2025, and a virtual public consultation was subsequently conducted on 22 October 2025 to solicit comments and inputs from interested stakeholders;

**NOW, THEREFORE**, in consideration of the foregoing, the DOE hereby issues and promulgates the following rules and regulations on allowing GenCos to finance and construct Associated Transmission Projects:

**SECTION 1. Governing Principles.** – The implementation of this Policy shall be governed by the following principles:

- 1.1. This Policy provides the option and mechanism for GenCos to finance and construct P2P and/or Associated Transmission Projects necessary to connect such generation facilities to ensure the timely delivery of their committed capacities as reflected in the PDP and the DOE-approved TDP, subject to the conditions under Section 3 of this Policy;
- 1.2. The DOE and ERC, with endorsement of TRANSCO, shall ensure the expedited approval of P2P and/or Associated Transmission Projects necessary to connect generation facilities, consistent with the timeliness prescribed under RA No. 11234, otherwise known as the "Energy Virtual One-Stop Shop (EVOSS) Act" and its Implementing Rules and Regulations;
- 1.3. All arrangements for the construction of P2P and/or Associated Transmission Projects necessary to connect new generation facilities undertaken by GenCos, on behalf of the Transmission Network Provider (TNP), shall be transparent and subject to the rules and regulations of the ERC;
- 1.4. Any P2P and/or Associated Transmission Projects completed pursuant to this Policy and subsequently reclassified as required for competitive purposes shall be turned over and acquired directly by TRANSCO or its successor-in-interest upon successful commissioning, subject to payment or reimbursement at fair market value as approved by the ERC;
- 1.5. The P2P and/or Associated Transmission Projects to which the generation facility will be connected shall be considered as Energy Projects of National Significance (EPNS) and shall be entitled to streamlined regulatory procedures pursuant to Executive Order No. 30, Series of 2017; and
- 1.6. The implementation of this Policy shall at all times be consistent with the principles of fair competition and non-discriminatory access under the EPIRA and ERC regulations.

**Section 2. Definition of Terms.** – For the purpose of this Policy, the following terms are defined as follows:

- 2.1. **"Associated Transmission Projects"** refer to new or expanded transmission lines, substations, switchyards, control rooms, towers, and other transmission facilities, beyond the GenCo's dedicated P2P facility, as determined by the System Impact Study (SIS) and Facilities Study (FS) to be necessary to reliably and securely accommodate the new generation capacity into the grid;
- 2.2. **"Generation Company"** or **"GenCo"** refers to any person or entity authorized by the ERC to operate facilities used in generation of electricity;
- 2.3. **"Point-to-Point"** or **"P2P"** refers to the transmission facilities required only for the purpose of connecting to the grid, which will be used solely by the GenCo, and not used to serve end-users or suppliers directly;
- 2.4. **"Transmission Development Plan"** or **"TDP"** refers to the program for managing the transmission system through efficient planning for expansion, upgrading, rehabilitation, repair, and maintenance, formulated by DOE and implemented by the TRANSCO or its successors-in-interest or its buyer/concessionaire pursuant to the EPIRA;
- 2.5. **"Transmission Network Provider"** or **"TNP"** refers to the party that is responsible for maintaining adequate grid capacity in accordance with the provisions of the Philippine Grid Code; and
- 2.6. **"System Impact Study"** or **"SIS"** refers to the assessment made or conducted by the TNP/System Operator (SO) in addition to the Grid Impact Studies, prepared by it in accordance with the Philippine Grid Code, to determine: (i) the adequacy of the grid and its capability to accommodate a request for power delivery service; and (ii) the costs, if any, that may be incurred in order to provide power delivery service to a Transmission Customer. The SIS may be conducted by an accredited third-party SIS provider, subject to the approval of the TNP.

**Section 3. Conditions for Allowing the Financing and Construction of Associated Transmission Projects.** – A GenCo with a committed generation project/s included in the DOE's latest posted list of Private Sector-Initiated Power Projects at the DOE website, on its own or through a partnership or joint venture, may be allowed to finance and construct the Associated Transmission Project, subject to the prior authorization of the DOE and the approval by the ERC of the payment or reimbursement at fair market value; Provided, That, any of following conditions are present:

- 3.1. The Associated Transmission Project is included in the DOE-approved TDP, but has not commenced construction—that is, it has not yet been awarded to any third-party contractor by the TNP—which may result in the delay of the full delivery of committed generation capacity;

- 3.2. The Associated Transmission Project is included in the DOE-approved TDP, but its target completion date is scheduled later than the potential completion and commissioning of the committed generation project; Provided, That the GenCo demonstrates its ability to advance the implementation of the Associated Transmission Project to enable earlier delivery of the committed generation capacity;
- 3.3. The implementation of the committed generation project is critical to attaining the energy transition targets under the PEP, particularly energy security and the minimum RE share in the generation mix;
- 3.4. The Associated Transmission Project is not included in the DOE-approved TDP but has been determined by the TNP through the approved SIS and/or the FS, as necessary to ensure timely commercial operation and delivery of the committed generation facility and to maintain the required level of grid reliability; Provided, That upon such determination and endorsement by the DOE, the P2P and/or Associated Transmission Project shall be considered approved for inclusion in the subsequent TDP; or
- 3.5. The Associated Transmission Project to which the committed generation facility will be connected has commenced construction but will be completed later than the commercial operation date of the generation project.

GenCo-built Associated Transmission Projects shall fully comply with the findings and recommendations of the SIS and FS conducted by TNP prior to construction. Any deviations from these studies agreed upon by the GenCo and the TNP shall be promptly submitted to the ERC for approval, accompanied by a written explanation for the change.

**Section 4. Responsibilities of Generation Company.** – The GenCo that opts to undertake the financing and construction of Associated Transmission Projects shall:

- 4.1. On its own or through a partnership or joint venture, finance and construct the required Associated Transmission Project, , and shall have the right to timely recover the fair market value incurred in connection with the construction and implementation of the Associated Transmission Project prior to its turnover to the TNP. Recovery of fair market value incurred shall explicitly include, but not be limited to, all costs associated with securing the necessary Right-of-Way (ROW), including legal, expropriation, and administrative costs;
- 4.2. Seek necessary endorsement from the DOE for the Associated Transmission Project;
- 4.3. Enter into a Memorandum of Agreement (MOA) with the TNP governing the construction, financing, turnover, and payment of the Associated Transmission Project. A separate MOA shall be entered into with TRANSCO for the transfer of ownership of the Associated Transmission Project;
- 4.4. Coordinate with the TNP for the data and information necessary for design, planning, and construction of the Associated Transmission Project. The GenCo

may also opt to conduct its own design and planning of the Associated Transmission Project, subject to the applicable standards of the TNP, the approval of which shall be timely and not unreasonably withheld;

- 4.5. Submit to the DOE, ERC, and TRANSCO a monthly accomplishment report on the committed generation project and the status of construction of the Associated Transmission Project until the completion of testing and commissioning of the Associated Transmission Project;
- 4.6. Transfer ownership of the P2P and/or Associated Transmission Projects to TRANSCO immediately upon completion or when required for competitive purposes, subject to the ERC's determination of fair market value;
- 4.7. Seek the consent of the DOE, ERC and the Philippine Competition Commission (PCC) before entering into a partnership or joint venture specifically for the construction of the Associated Transmission Project;
- 4.8. Submit to the DOE and ERC an itemized cost of the Associated Transmission Project, as well as quarterly reports on progress, including any cost variances and cost overruns, if any; Provided, That, any cost determined by the ERC to be imprudent or excessive costs, including cost overruns not justified by unforeseen circumstances, shall be disallowed from the final recoverable value and shall be solely borne by the GenCo; and
- 4.9. Ensure compliance with all applicable environmental and social safeguard requirements, including securing the necessary Environmental Compliance Certificate (ECC) under Presidential Decree No. 1586 and, where applicable, Free and Prior Informed Consent (FPIC) under RA No. 8371, otherwise known as the "Indigenous Peoples' Rights Act of 1997," prior to project implementation, in coordination with the relevant government agencies.

**Section 5. Responsibilities of the DOE.** – The responsibilities of the DOE shall be as follows:

- 5.1. Together with TRANSCO, ensure that the TDP reflects the requirements of committed power projects and their corresponding P2P and/or Associated Transmission Projects;
- 5.2. Through the Electric Power Industry Management Bureau (EPIMB), certify and endorse Associated Transmission Projects for the issuance of necessary permits and clearances to the relevant government agencies and entities;
- 5.3. Through the EPIMB, process the Certificate of Endorsement for the Associated Transmission Projects through the EVOSS System;
- 5.4. Together with the ERC and TRANSCO, monitor the implementation of Associated Transmission Projects;

- 5.5. Coordinate with the ERC and the PCC, as may be necessary, to ensure that the implementation of this Policy adheres with the principles of fair competition and non-discriminatory access;
- 5.6. Assist GenCos in coordinating with TRANSCO and other concerned government agencies to resolve ROW and permitting issues related to Associated Transmission Projects, consistent with applicable laws and regulations;
- 5.7. Require a GenCo to modify or relocate its P2P and/or Associated Transmission Projects if it is found to unduly restrict, impede, or block non-discriminatory access to the grid for another project; and
- 5.8. Perform all other acts and functions necessary or incidental to achieve the objectives of this Policy.

**Section 6. Responsibilities of the ERC.** – The responsibilities of the ERC shall be as follows:

- 6.1. Within forty-five (45) days from the effectivity of this Policy, issue the regulatory framework governing the implementation of Associated Transmission Projects, including mechanisms for the recovery and timely payment of fair market value, and the transparent, reasonable, and affordable integration of such costs in the pass-on rates to electricity consumers;
- 6.2. Review and approve or disapprove agreements on cost recovery between the TNP and the GenCo, and exercise full prudence review over the itemized cost submitted by the GenCo pursuant to Section 4.8;
- 6.3. Prescribe the timelines and obligations for the GenCo and the TNP, and impose penalties for non-compliance by any electric power industry participant with the applicable rules and regulations of the ERC;
- 6.4. Ensure the timely issuance of approvals or authorities for GenCos opting to undertake P2P and/or Associated Transmission Projects as envisioned under this Policy;
- 6.5. Coordinate with the PCC on all competition matters and review potential market effects of prospective P2P and/or Associated Transmission Projects; and
- 6.6. Perform all other acts and functions necessary or incidental to achieve the objectives of this Policy.

**Section 7. Responsibilities of the National Grid Corporation of the Philippines (NGCP) as the TNP.** – The responsibilities of the TNP shall be as follows:

- 7.1. Provide, in a timely manner, all data and information necessary for the design, planning, and construction of the Associated Transmission Projects, including SIS, FS, design standards and equipment specifications for P2P and/or Associated Transmission Projects, to GenCos;

- 7.2. Prepare and submit to the ERC the template MOA between the GenCo and the TNP governing the construction, financing, turnover, payment, and such other conditions to ensure the timely completion and efficient operation of the P2P and/or Associated Transmission Projects;
- 7.3. Avoid, directly or indirectly, any interruption or intervention that will delay the completion of concerned generation projects. Interruption or intervention expressly includes failure to actively and immediately support the GenCo in securing ROW through the exercise of the TNP's franchise authority for eminent domain, pursuant to the MOA;
- 7.4. Ensure the timely and full completion of all its own transmission projects;
- 7.5. Allow and schedule the testing, commissioning, and energization of P2P and/or Associated Transmission Projects undertaken pursuant to this Policy, and ensure that the performance of such activities shall not adversely affect the normal operations of the grid;
- 7.6. Provide adequate space or area in existing substations, switchyards, and control rooms for the installation of additional equipment, such as power transformers, power circuit breakers, relays, and associated equipment which are necessary to integrate the P2P and/or Associated Transmission Projects into the transmission grid; and
- 7.7. Perform all other acts and functions necessary or incidental Associated Transmission Project to achieve the objectives of this Policy.

**Section 8. Responsibilities of TRANSCO.** – The responsibilities of TRANSCO shall be as follows:

- 8.1. Review and ensure that the TDP reflects the requirements of committed power projects and their Associated Transmission Projects, and submit the results of such review to the DOE in a timely manner;
- 8.2. Monitor and facilitate the implementation of the P2P and/or Associated Transmission Projects undertaken by GenCos and submit quarterly monitoring reports to the DOE. Such monitoring of TRANSCO may include project site visits and inspection, in coordination with the DOE, TNP, and the GENCO;
- 8.3. Assist in securing ROW necessary for the construction and implementation of P2P and/or Associated Transmission Projects undertaken pursuant to this Policy, to the extent allowed under applicable laws and regulations; and
- 8.4. Perform all other acts and functions necessary or incidental to achieve the objectives of this Policy.

**Section 9. Coordination and Assistance from the Government Agencies.** – The DOE, with the assistance of TRANSCO, shall undertake the necessary monitoring and coordination with relevant government agencies to ensure the timely issuance of permits, licenses, certifications, and other requirements for the construction and energization of P2P and/or Associated Transmission Projects; Provided, That the GenCo has submitted the complete application requirements mandated by the relevant government agency.

**Section 10. Non-compliance.** – The DOE and the ERC shall ensure that any non-compliance or violation by the GenCo or the TNP of applicable laws, rules, and regulations shall be penalized accordingly, subject to applicable redress mechanisms or referral to the appropriate government agencies for investigation, prosecution, and other appropriate action, with due process afforded to all concerned parties.

**Section 11. Continuing Obligations.** – Nothing in this Policy shall be construed as releasing the NGCP from its obligations, nor as adding to, removing, or otherwise revising any of its responsibilities and mandates under its Concession Agreement, franchise, the EPIRA, the Public Service Act, and other applicable laws and regulations.

**Section 12. Separability Clause.** – If any part or provision of this Policy is declared invalid or unconstitutional, other parts not affected thereby shall continue to be in full force and effect.

**Section 13. Effectivity.** – This Policy shall take effect immediately upon its publication in the Official Gazette. A copy of this Policy shall be filed with the University of the Philippines Law Center – Office of the National Administrative Register (UPLC-ONAR).

Issued this 07 day of January 2026 at the DOE, Energy Center, Rizal Drive cor. 34<sup>th</sup> St., Bonifacio Global City, Taguig City.

  
Sharon S. Garin  
Secretary

