



DEPARTMENT CIRCULAR NO. DC2026-02-0005 *af*

**PRESCRIBING THE POLICY FOR CATEGORIZATION OF ENERGY RESOURCES AND TECHNOLOGIES IN THE ENERGY MIX TO ENHANCE SUFFICIENCY OF GENERATION, ADEQUACY AND RELIABILITY OF SUPPLY FOR ELECTRIC POWER**

**WHEREAS**, Republic Act (RA) No. 7638, otherwise known as the “Department of Energy Act of 1992”, declares the policy of the State to ensure a continuous, adequate, and economic supply of energy with the end in view of ultimately achieving self-reliance in the country’s energy requirements through the integrated and intensive exploration, production, management, and development of the country’s indigenous energy resources, and through the judicious conservation, renewal and efficient utilization of energy to keep pace with the country’s growth and economic development and taking into consideration the active participation of the private sector in the various areas of energy resource development;

**WHEREAS**, RA No. 9136, otherwise known as the “Electric Power Industry Reform Act of 2001” (EPIRA), declares the policy of the State to ensure the quality, reliability, security, and affordability of the supply of electric power and the transparent and reasonable prices of electricity in a regime of free and fair competition and full public accountability to achieve greater operational and economic efficiency;

**WHEREAS**, the EPIRA mandates the Department of Energy (DOE) to (i) 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; (ii) develop and update annually the existing Philippine Energy Plan (PEP); and (iii) encourage private sector investments in the electricity sector and promote development of indigenous and renewable energy (RE) sources;

**WHEREAS**, RA No. 9513, otherwise known as the “Renewable Energy Act of 2008”, declares the policy of the State to accelerate the exploration and development of renewable energy resources such as, but not limited to, biomass, solar, wind, hydro, geothermal and ocean energy sources, including hybrid systems, to achieve energy self-reliance, through the adoption of sustainable energy development strategies to reduce the country’s dependence on fossil fuels and thereby minimize the country’s exposure to price fluctuations in the international markets, the effects of which spiral down to almost all sectors of the economy;

**WHEREAS**, RA No. 12120, otherwise known as the “Philippine Natural Gas Industry Development Act”, declares the policy of the State to: (a) promote natural gas as a safe, efficient, and cost-effective source of energy and an indispensable contributor to energy security by establishing the Philippine Downstream Natural Gas Industry for

the benefit of all segments of the nation's population and all sectors of the economy and (b) develop natural gas as reliable fuel for power plants capable of addressing the peaking, mid-merit, and baseload demand of the country to help achieve energy security, while progressively transitioning to renewable energy sources;

**WHEREAS**, in 2024, the coal share in the generation mix stood at 45.5%, equivalent to 62.5% of the electricity requirements. Noted further that there is a need to balance the type of technologies dispatched in the system to ensure stability of the electric power;

**WHEREAS**, to ensure the balanced dispatch of the different technologies, the DOE deemed it necessary to provide guidance on the categories of the difference resources in accordance with baseload, mid-merit, and peaking requirements based on the actual load profile (LP), load duration curve (LDC) and other applicable parameter. Deemed further that this categorization will allow generation company to operate efficiently and ensure that the generating units are adequately maintained;

**WHEREAS**, Jurisprudence, specifically in *Fernando L. Hicap v. Energy Regulatory Commission (ERC), Manila Electric Company (MERALCO), and the Office of the Executive Secretary* (G.R. No. 210334, 01 August 2023), essentially provides that while the generation and supply sectors are not public utilities, this by no means removes them from the ambit of governmental regulation. The EPIRA and its Implementing Rules and Regulations instituted adequate safeguards to curb and altogether suppress any abuse or irregular activity by the Generation sector. The Generation Sector is still under government regulation; and

**WHEREAS**, there is a need for the DOE to ensure balance in the available technologies to meet the demand, ensure reliability and at the same time move towards the target of energy transition, particularly increasing RE share and utilization of indigenous energy. As such, the DOE developed this Department Circular (DC), which was posted on the DOE website on 01 October 2025, and subjected to Virtual Public Consultation last 03 October 2025 to solicit comments and inputs from concerned stakeholders;

**NOW, THEREFORE**, in consideration of the foregoing premises, the DOE hereby issues this DC providing a policy for the categorization of energy resources and technologies in the energy mix, considering baseload, mid-merit, peaking and ancillary service requirements:

**Section 1. Guiding Principles for the Categorization of Technologies in the Energy Mix.** The categorization of technologies for the development of the Energy Mix shall be guided by the following principles:

- a. **Security of Supply.** The different power generation technology/ies and resources shall be categorized in a manner that promote continuous, adequate and reliable power supply without necessarily depending on certain type of technology/ies and resources;
- b. **Sustainability.** The categorization of the different technology/ies and resources shall support the country's transition to clean energy and shall prioritize RE and

other indigenous energy resources, new and emerging sources of fuel and the corresponding technological support that will attain sustainability;

- c. **System Reliability and Operational Flexibility.** The categorization of the different technology/ies and resources shall support the development of an energy mix in the power system capable of efficiently responding to rapid changes in demand and supply, such as those caused by the intermittency of Variable RE, with the view of maintaining stability and power quality while moving towards the energy transition goal of 50% by 2040 and promoting indigenous natural gas;
- d. **Technology and Fuel Diversity.** The energy mix shall promote an efficient and harmonized blend of generation technologies and fuel types to reduce dependence on any single technology or fuel source. Such energy mix shall maximize the development of potential energy resources indigenous to the area; and
- e. **Integration and Harmonization with Renewable Portfolio Standards (RPS) Compliance.** In harmony with the applicable RPS Rules, the Optimal Energy Mix shall strictly comply with the minimum annual incremental RE percentage prescribed by the DOE, with appropriate synchronicity to the energy mix applicable to the Grid, sub-grid, distribution network or small grid areas.

**Section 2. Optimal Energy Mix and Demand.** Optimal Energy Mix refers to the most technically feasible, economically viable, and environmentally sustainable, combination of energy resources and technologies used for electricity generation to meet the demand in the grid or in the distribution system.

It aims to ensure the reliable, secure, and affordable supply of electricity while supporting the country's goals of energy self-sufficiency, fuel diversification, reduced dependence on imported fossil fuels, and increased integration of RE sources.

The Optimal Energy Mix shall be developed in consideration of the load and capacity categorization, such as baseload, mid-merit and peaking.

**Section 3. Definition of Terms.** Under this Policy, these terms shall have the following definitions:

- a. "Baseload Requirement" refers to the continuous and minimum amount of electric power delivered or required by electrical components to run continuously at a steady rate;
- b. "Distribution Network" refers to the system of infrastructure, equipment, and processes used to deliver electricity from the transmission systems or central facilities to end-users, including residential, commercial, and industrial consumers. This network typically includes substations, distribution lines, transformers, and control systems designed to ensure the reliable, safe, and efficient delivery of energy at usable voltages or pressures;

- c. "Energy Regulatory Commission" or "ERC" refers to the entity created pursuant to Section 38 of the EPIRA;
- d. "Grid" refers to the high voltage backbone system of interconnected transmission lines substations and related facilities, located each in Luzon, Visayas and Mindanao.
- e. "Load Duration Curve" or "LDC" refers to the graphical representation of the total demand for electricity over a given period, with the demand values ordered from highest to lowest;
- f. "Load Profile" or "LP" refers to the pattern or distribution of electricity demand over a defined period, typically presented on an hourly, daily, weekly, or seasonal basis. It reflects the variations in electricity consumption or system load due to user behavior, operational requirements, weather conditions, and other influencing factors.
- g. "Mid-Merit Requirement" refers to the variable portion of demand that falls between the baseload and peaking requirements, occurring for a significant number of hours annually. This portion of the load requires power sources that can adjust their output to follow demand changes throughout the day;
- h. "Peaking Requirement" refers to the highest levels of demand occurring for relatively short durations, typically a few hundred hours annually, and requiring rapid response to sudden and sharp increases in demand; and
- i. "Power Supply Agreement" or "PSA" refers to the agreement, regardless of nomenclature, between a distribution utility (DU) and a Captive Market Supplier for the supply of capacity and/or energy intended for the DU's Captive Market.

**Section 4.** In the development of Power Supply Procurement Plan (PSPP) of the DUs, the following shall be observed:

- 4.1 **Development of LDC.** The DU shall prepare its load duration analysis using the previous year's validated LP data gathered at hourly resolution from DU or the National Grid Corporation of the Philippines meters.

The DU shall then sort these load readings from highest to lowest to generate the LDC, which identifies baseload, mid-merit, and peaking demand levels and serves as an essential input to PSPP.

- 4.2 **Types of Technologies Preferred for Each Load Category.** Each load category shall be met through contracting of applicable technologies, as follows:

4.2.1 Technologies for Baseload Requirement.

4.2.1.1 **Firm RE Sources:** Geothermal, biomass and biogas, and qualified impounding and dam-based hydro recognized for their

stable and predictable output, or any other RE sources integrated with Energy Storage System (ESS) capable of providing baseload.

4.2.1.2 Conventional Technologies in the following order of priority:

- a. Nuclear
- b. New and emerging technologies capable of providing baseload requirements
- c. Coal Co-firing
- d. Conventional Coal

4.2.2 Technologies for Mid-Merit Requirement

4.2.2.1 **Hybrid RE Systems:** Combinations of VRE with integrated energy storage solutions (typically four (4) to eight (8) hours of discharge duration) or other firming technologies that convert intermittent output into dispatchable power blocks, optimizing their delivery for grid needs.

4.2.2.2 **Flexible Technologies** in the following order of priority:

- a. Gas fired power plants using indigenous Natural Gas
- b. Gas fired power plants using blended Natural Gas
- c. Gas fired power plants using non-indigenous Natural Gas
- d. Hydro (impounding and dam-based)
- e. Highly flexible power plants capable of rapidly adjusting its output to meet mid-merit requirements.

4.2.2.3 **Medium to Long Duration Energy Storage:** Energy storage technologies capable of at least eight (8) hours continuous discharge duration. Energy storage technologies with at least four (4) hours continuous discharge duration may be considered for DUs whose LP exhibits high load factor variability, such as those customer-based is largely residential.

4.2.3 Technologies for Peaking Requirement

4.2.3.1 **Fast-Start RE Technologies:** Impounding hydro and pumped storage hydro.

4.2.3.2 **Short-Duration Energy Storage:** Storage technologies designed for fast response and short discharge durations (typically one (1) to four (4) hours of discharge duration).

4.2.3.3 **Fast-Start Conventional Technologies:** In the order of priority, (1) Natural Gas (open cycle gas turbines), (2) reciprocating/internal combustion engines.

**4.2.4 Other technologies not qualified in any of the above:** REs such as stand-alone solar, wind and others not specified herein may be utilized for each load category for the provision of minimum and continuous supply of electricity to the DUs, including compliance to the Renewable Portfolio Standards (RPS) requirements.

The above categorization may be updated as necessary, particularly when new and emerging technologies are introduced and adopted in the power system. Further study on technical specifications shall be conducted to enhance the categorization of the capacities that are capable to provide the baseload, mid-merit and peaking requirements.

**Section 5. Preparation, Assessment and Updating of the PDP.** The PDP shall be prepared, (a) for a planning horizon of five (5) years, as medium-term plan and, (b) longer planning horizon beyond the ten (10) year period, to provide strategic guidance for needed energy investments and identifying capacity requirements for baseload, mid-merit, peaking and other energy supply requirements.

The PDP shall be reviewed every year to determine implementation progress and identify gaps in the supply and demand, if any, and to provide strategies and measures for ensuring supply security, availability and reliability.

**Section 6. Alignment of the Distribution Development Plans (DDPs).** The DDPs, particularly the PSPPs therein, shall be formulated in line with the categorization prescribed in this Policy. The DDP must quantify the necessary and appropriate levels of baseload, mid-merit, and peaking requirements, taking into consideration the RPS compliance and the reference for RE and indigenous sources of fuel.

**Section 7. Participation of Generation Companies (GenCos) and Energy Resource Developers (ERDs).** In support of this Policy, all GenCos and ERDs are highly encouraged to observe the following:

- 7.1 **Alignment with PEP and PDP.** GenCos and ERDs may align their proposed power projects with the generation mix requirements identified in the PEP, PDP, various DDPs, and other relevant plans, programs and roadmaps of the DOE. GenCos and ERDs shall take into account the defined load categories, preferences and prioritizations in this Policy.
- 7.2 **Flexible Design.** GenCos and ERDs are encouraged to design new power plants, with technical parameters suited for each load category. To illustrate, among others, those intended for mid-merit requirements, such facility must be equipped with inherent flexibility, including faster ramp rates, lower minimum stable generation levels, and black-start capabilities.
- 7.3 **ESS Integration.** GenCos and ERDs shall strategically identify and pursue opportunities for the integration of ESS across new and existing power generation facilities, especially for VRE facilities. Such integration is crucial for

enhancing their dispatchability, improving overall grid stability, and enabling the reliable provision of essential AS.

To ensure grid reliability amidst increasing VRE penetration, new solar and wind projects are strongly encouraged to integrate with energy storage solutions, such as co-located batteries or other firming technologies, where technically feasible and economically viable.

- 7.4 **Technology Diversification.** GenCos and ERDs shall actively pursue and invest in a diversified portfolio of generation technologies to contribute to the development of an Optimal Energy Mix aligned with the PEP, PDP and this Policy.

**Section 8. NPC Missionary Electrification Alignment in Off-Grid Areas.** In consonance with its Missionary Electrification mandate under EPIRA, the NPC shall align its Missionary Electrification Plan with the provisions of this Circular and shall perform the following:

- 8.1 Conduct periodic assessments of electricity demand, supply availability, resource potential, and system reliability in all missionary areas. These assessments shall include the identification of the least-cost and technically viable energy mix, with due consideration to geographical conditions, fuel logistics, and system requirements;
- 8.2 Prioritize the integration of RE technologies, including hybrid and distributed energy systems, to reduce dependence on imported fossil fuels and enhance long-term energy security in small grid areas, in line with the Department's energy transition objectives and the National Renewable Energy Program (NREP);
- 8.3 Ensure that procurement of new or replacement of its generation capacities intended to serve the small grid areas is consistent with this Circular and shall support the entry of cost-effective and sustainable energy solutions;
- 8.4 All energy mix development efforts by NPC shall be aligned with the PEP, NREP, and other DOE-issued strategic frameworks. NPC shall likewise ensure consistency with the UCME guidelines and applicable regulatory issuances; and
- 8.5 Perform other actions, as may be directed by the DOE in consonance with this Policy.

**Section 9. Role of NEA.** The NEA shall guide and supervise the ECs in their adherence to the provisions of this Circular. Towards this end, the NEA shall:

- 9.1 Disseminate this Circular and other relevant DOE policies to all ECs under its supervision and monitor their compliance with power supply procurement guidelines, RPS obligations, and planning requirements, such as DDPs;

- 9.2 Provide technical, institutional, and financial assistance to ECs to enable them to effectively implement this Circular, particularly in the development of a resilient and diversified power supply portfolios, prioritization of energy resources in their respective franchise areas, integration of RE, and modernization of their distribution systems;
- 9.3 Develop and implement training programs and workshops for EC personnel to enhance their capabilities in load forecasting, power supply contracting, renewable energy integration, and demand-side management; and
- 9.4 Perform other actions necessary for the implementation of this Policy.

**Section 10. Regulatory Support from ERC.** Pursuant to its authority and mandate under the EPIRA, the ERC shall provide the necessary regulatory support and issuance of appropriate regulations, or amendments to existing rules and guidelines, for the implementation of this Policy and imposition of penalties for violations and non-compliances.

**Section 11. Repealing Clause.** All previous issuances, orders, rules, and regulations inconsistent with this Circular are hereby repealed or modified accordingly.

**Section 12. Separability Clause.** If any provision of this Circular is declared invalid or unconstitutional, the other provisions not affected thereby shall remain valid and subsisting.

**Section 13. Effectivity.** This Policy shall take effect fifteen (15) days after its publication in the Official Gazette or two (2) newspapers of general circulation. A copy of this Policy shall be filed with the University of the Philippines Law Center – ONAR.

Issued this 16 FEB 2026 at the DOE, Energy Center, Rizal Drive cor. 34<sup>th</sup> Street, Bonifacio Global City, Taguig City.

  
**SHARON S. GARIN**  
Secretary

