Republic of the Philippines
Department of Energy
(Kagawaran ng Enerhiya)

BAGONG PILIPINAS

DEPARTMENT CIRCULAR NO. DC2026-02-0008

SUPPLEMENTAL AND AMENDATORY POLICY FRAMEWORK FOR THE DEPARTMENT CIRCULAR (DC) NO. DC2023-04-0008

WHEREAS, Section 2 of Republic Act (RA) No. 7638, or the "Department of Energy (DOE) Act of 1992," declares it 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, Section 2 of RA No. 9136, or the "Electric Power Industry Reform Act of 2001" (EPIRA), declares it a policy of the State to: (i) ensure the quality, reliability, security, and affordability of the supply of electric power, (ii) ensure 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 and enhance the competitiveness of Philippine products in the global market, (iii) assure socially and environmentally compatible energy sources and infrastructure, and (iv) promote the utilization of indigenous and new and renewable energy resources in power generation in order to reduce dependence on imported energy;

WHEREAS, Section 2 of RA No. 9513, or the "Renewable Energy Act of 2008" (RE Act) declares it the policy of the State to accelerate the exploration and development of RE resources, to achieve energy self-reliance through the adoption of sustainable energy development strategies and reduce the country's dependence on fossil fuels, thereby minimizing the country's exposure to price fluctuations in international markets, and to establish the necessary infrastructure and mechanism to carry out the mandates specified in the RE Act and other existing laws;

WHEREAS, the 2023-2050 Philippine Energy Plan (PEP) and National Renewable Energy Program set an aspirational target of at least a 35% RE share in the total generation mix by 2030, and at least 50% by 2040. This is anticipated to accelerate the already increased penetration of Variable RE (VRE) to the National Grid and sub-grids. To support this, PEP mandates that at least 65 GWh of Battery Energy Storage System (BESS) is required by 2030, 466 GWh by 2040 and 1,021 GWh by 2050;

WHEREAS, on 3 November 2021, the DOE promulgated Department Circular (DC) No. DC2021-11-0036, titled "Providing the Revised Guidelines for the Green Energy Auction Program in the Philippines," which outlined the revised framework for the implementation of the Green Energy Auction (GEA) Program;

WHEREAS, on 5 October 2022, the DOE issued DC No. DC2022-10-0031, titled "Declaring All Renewable Energy Resources as Preferential Dispatch Generating Units in the Wholesale Electricity Spot Market Amending for this Purpose Department Circular No. DC2015-03-0001," which granted all generating units utilizing RE either Must Dispatch or Priority Dispatch status (collectively referred to as "Preferential Dispatch Status") to aid in the acceleration of the development and utilization of indigenous RE resources;

WHEREAS, on 20 April 2023, the DOE issued DC No. DC2023-04-0008, titled "Prescribing the Policy for Energy Storage System in the Electric Power Industry," which acknowledged the significance of Energy Storage Systems (ESS) as an emerging technology in ensuring the quality, reliability, security, sustainability, and affordability of electric power. It also established general policies and delineated the responsibilities of all DOE-attached agencies, industry participants and all other stakeholders concerning the development, operation and integration of ESS into the Philippine Grid;

WHEREAS, on 12 December 2023, the DOE issued DC No. DC2023-10-0029, titled "Providing Specific Auction Policy and Guidelines for Non-FIT-Eligible Renewable Energy Technologies in the Green Energy Auction Program." This directive governs the auction of capacity generated from RPS-eligible facilities that are not eligible for Feed-in-Tariff (FIT), such as Pumped-Storage Hydropower (PSH) plants;

WHEREAS, on 10 September 2024, the DOE issued DC No. DC2024-09-0028 which prescribed amendments to DCNo. DC2023-10-0029 to provide clarifications on the treatment for PSH plants;

WHEREAS, on 10 June 2024, the DOE issued DC No. DC2024-06-0019, which adopted amendments to the Wholesale Electricity Spot Market (WESM) Rules and Dispatch Protocol Manual, and created the Ancillary Services (AS) Monitoring Manual regarding reserve market compliance and other related enforcement actions;

WHEREAS, the continuous integration of solar and wind power plants to the Grid increases the levels of Inverter-Based Resources, which can lead to faster and more significant deviations in voltage and frequency levels compared to systems with higher level of synchronous generation, thereby necessitating improved responsiveness in voltage and frequency regulation;

WHEREAS, in order to bolster the portfolio of existing ESS units and facilities towards the attainment of a sustainable, reliable and efficient level of generation capacities and AS in the Philippine Grid, it is imperative to enact supplementary policies and mobilize key government agencies and entities;

NOW, THEREFORE, for and in consideration of the foregoing premises, the DOE hereby issues the supplementary and amendatory policy framework for DC No. 2023-

04-0008 to further encourage the development of ESS technologies and its integration to the Grid and off-grid areas:

SECTION 1. GUIDING PRINCIPLES. For the purpose of this Circular, the following shall be included as supplementary provisions to Section 1 (*General Policies and Principles*) of DC2023-04-0008:

1.1. ESS operations triggered by grid disturbances shall be classified as AS, specifically for voltage and frequency regulation;

1.2. ESS with grid-support capabilities such as but not limited to Grid Forming (GFM) Inverters shall be designed and configured to enhance grid stability by actively regulating voltage, frequency, and power flow without reliance on an external reference, ensuring smooth and efficient grid operation even under challenging conditions; and

1.3. The integration of technologies with grid-support capabilities supports the government's efforts to achieve a just energy transition by allowing increased penetration of RE technologies to the Grid, without adverse effect to the operational reliability of the transmission network.

SECTION 2. The following terms shall be included as supplementary provisions to *Section 2 (Definition of Terms)* of DC2023-04-0008:

2.1. ***"Dispatch Protocol Manual"*** refers to the guidelines which outlines the procedures and rules for scheduling and dispatching electricity in the Wholesale Electricity Spot Market (WESM). It defines the roles and responsibilities of various market participants, including the Market Operator, System Operator, and trading participants. The manual covers topics like dispatch scheduling, implementation procedures, and compliance requirements;

2.2. "***Inverter-Based Resources (IBR)"*** refers to sources that use inverters to produce electricity such as but not limited to solar, wind and BESS.

2.3. ***"Grid Forming (GFM) Inverters"*** refer to power electronic inverters that operate as voltage-source device capable of establishing and maintaining grid voltage and frequency, independently or in coordination with other voltage sources. It can also provide inertia response or equivalent grid-stabilizing functions enabling stable system operation during variation in load or supply, or network faults.

2.4. "***Net Dependable Capacity***" is the maximum capacity that a generating unit can reliably sustain over a specific period (typically a season), taking into account ambient limitations, internal power needs and technical conditions of the plant and/or unit/s of the plant.

2.5. "***Net Maximum Capacity***" is the maximum power a generating unit can reliably sustain over a specific period, minus the electricity used to operate the plant itself.

2.6. ***"Reactive Power Support (RPS)"*** refers to the capability of a generating unit to supply or absorb Reactive Power beyond the ranges prescribed under the Philippine Grid Code.[1]

For ESS, this refers to its capability to supply and absorb Reactive Power beyond the ranges prescribed under the Philippine Grid Code, either of the interface equipment if Standalone ESS, or of the generating plant if Integrated ESS.

2.7. **"*Revenue Stacking*"** refers to the business strategy of combining multiple, distinct financial earnings streams from a single ESS asset to maximize its profitability and improve economic viability. This is achieved by strategically scheduling and deploying the ESS to perform multiple high-value use cases, such as energy arbitrage, ancillary services, and capacity payments, either concurrently or sequentially within a given period.

2.8. **"*Virtual Inertia*"** refers to the capability of power electronics-interfaced resources (such as, but not limited to, BESS or power converters associated with renewable generators) to mimic the physical inertial response of traditional synchronous generating units.

SECTION 3. Section 3 (*Scope*) of DC2023-04-0008 shall be revised as follows:

"This Circular shall apply to the following Electric Power Industry Participants: Generation Companies (GenCos);

3.2. Distribution Utilities (DUs);

3.3. Directly Connected Customers (DCCs) owning and operating ESS;

3.4. End-Users owning and operating ESS;

3.5. Microgrid Service Provider (MGSP);

3.6. Transmission Network Provider (TNP);

3.7. System Operator (SO);

3.8. Small Grid System Operator (SGSO);

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[1] Grid Connection Requirement 4.4.2.1.3: The Generating Unit shall be capable of supplying its Active Power output, as specified in the Generating Plant's Declared Data, within the limits of 0.85 Power Factor lagging and 0.90 Power Factor leading at the Generating Unit's terminals, in accordance with its Reactive Power Capability Curve.

3.9. Market Operator (MO); and

3.10. Other entities as applicable."

SECTION 4. The following provisions under Section 4 (*Purposes of ESS*) of DC2023-04-0008 shall be revised as follows:

4.1. xxx xxx xxx
4.2. xxx xxx xxx

4.3. **Manage the Variability and Enhance the Reliability of RE**

All prospective VRE power plants with an installed capacity of 10 MW and above shall be required to integrate an ESS of at least 20% of the installed capacity, upon the effectivity of this Circular. Notwithstanding this requirement, the specific sizing of the ESS may be adjusted based on the findings of the System Impact Study (SIS) or Distribution Impact Study (DIS). In cases where the SIS or DIS determines that ESS integration will compromise the stability of the grid or distribution network, the system operator or the network service provider may recommend a derogation of this requirement and indicate such in the SIS or DIS result/s. *Preferably*, such ESS shall possess grid-support capabilities such as but not limited to GFM Inverters for the purpose of mitigating the inherent variability of generation output of RE. This shall enable optimized dispatch of the power plant, minimize generation losses due to curtailment, and enhance the Grid's ability to maintain power quality, reliability, and overall system stability.

4.4. xxx xxx xxx
4.5. xxx xxx xxx

4.6. **Power Quality Management**

4.6.1. ESS may be used to improve the power quality of the transmission and distribution networks. For this purpose, ESS with Virtual Inertia capabilities may be designed and installed with applicable grid-support technologies such as but not limited to GFM Inverters, for the purpose of ensuring reliable operations during grid disturbances thereby enhancing grid reliability and resiliency.

4.6.2. The TNP and DUs shall ensure that ESS facilities shall be considered in the grid reinforcements to achieve the following features of the Grid:

4.6.2.1. Power Quality Management such as Voltage Stability and Frequency Control;

4.6.2.2. Alternative Supply Source in case of Islanding; and

4.6.2.3. Sufficient AS provisions in all regions or zones.

4.7. xxx xxx

4.8. xxx xxx

4.9. **Auxiliary Component of Power Plants**

Power plants may install ESS to their plants to allow the facility to participate in all available markets in the Electric Power Industry, subject to the existing rules and regulations, including but not limited to the certification from the System Operator. Provided, however, that such integration shall not in any way increase the plant's capacity and generation. Further, the combined operation of the host facility and the ESS shall take into consideration a cost-effective option of the charging and discharging activities.."

SECTION 5. The Electric Power Industry stakeholders shall have the following additional responsibilities supplementing Section 5 (*Duties and Responsibilities*) of DC2023-04-0008:

5.1. xxx xxx

5.2. **Distribution Utilities.** All Distribution Utilities:

5.2.1. May consider inclusion of ESS to the distribution system primarily for Power Quality Management and Facility Upgrades Deferment. Such projects shall be included in the Distribution Development Plan (DDP);

5.2.2. Include in the DDP the accounted total number and capacity of ESS connected in the distribution system;

5.2.3. In the case that ESS will be used as supply, shall comply with the market share limitation under Section 45 (a) of EPIRA; and

5.2.4. Provide technical requirements applicable for each franchise for the interconnection, integration, and interoperability of embedded ESS in accordance with the Philippine Distribution Code.

5.3. **End-Users.** Owners of ESS who are not registered as a generating unit shall:

5.3.1. Comply with all applicable rules and regulations to ensure safety use and integration of ESS to household connections which can be considered to all demand-side management programs; and

5.3.2. Inform the DU of the availability of ESS and its connection for proper accounting to the Supply and Demand scenario of the franchise.

5.4. xxx xxx

5.5. **Transmission Network Providers.** All Transmission Network Providers shall:

5.5.1. Include ESS integration in the preparation of the Transmission Development Plan (TDP);

5.5.2. Recommend guidelines for grid-supportive functionalities of all IBRs, including but not limited to voltage regulation, frequency response, and virtual inertia; and

5.5.3. In coordination with the SO, conduct periodic studies and simulations on the integration of grid-supportive Inverters and control technologies, including but not limited to GFM and equivalent systems, into the Grid annually. These shall assess grid stability, infrastructure capacity, proximity to renewable sources, load centers, congestion points, and transmission availability. Results shall inform optimal ESS deployment and be included in development plan submissions. Provided, that these periodic studies and simulations shall serve as reference in updating performance standards for IBRs, DOE's ESS Roadmap, and Grid Code. Initial findings shall be submitted to the DOE, copy furnish the ERC, within one hundred eighty (180) calendar days from the effectivity of this Circular.

5.6. **System Operator and Small Grid System Operator.** The System Operator or the Small Grid System Operator, whichever is applicable in a certain area, shall:

5.6.1. Within sixty (60) calendar days from completion of the TNP's initial submission of the result of its periodic studies as mentioned in the preceding provision, provide uniform technical requirements for the

interconnection, integration, and interoperability of ESS with GFM capability in accordance with the prevailing international standards and the Philippine Grid Code, to ensure timely integration and functionality;

5.6.2. Conduct the testing for the ESS with grid-support capability to ensure their proper integration and functionality within the grid;

5.6.3. Be responsible for grid balancing and supply augmentation through the efficient management of the charge and discharge states of PSH plants and in coordination with the DUs for embedded ESS, to achieve grid stability;

5.6.4. In case of off-grid areas wherein the Electric Cooperative (EC) act as the SO, the National Transmission Corporation (TRANSCO) shall validate the result of any DIS whether conducted by the EC or by a Third-Party Entity; and

5.6.5. To this effect, the TRANSCO shall promulgate guidelines for the conduct of Impact Studies in off-grid areas and capacity building activities with EC.

5.7. **Market Operator**

Within forty-five (45) days after the effectivity of this Circular, the MO shall issue the following:

5.7.1. Develop the necessary market mechanisms, proposed changes to the WESM rules, considering its capability to do bi-directional offers and the Grid Reliability Support it can provide.

5.7.2. In coordination with the SOs and DUs, prescribe the necessary market mechanisms including revisions of the *Dispatch Protocol Manual* for both grid-connected and embedded ESS.

5.7.3. Develop the necessary enhancements to the market systems and infrastructure to implement the pricing mechanism for ESS facilities and the market mechanisms for the SO's procurement of RPS from ESS facilities.

5.7.4. Upon the establishment of the Power Market in off-grid areas, the MO shall establish a tailored market mechanisms and operational protocols for off-grid areas to enable the integration and optimal utilization of ESS, including but not limited to:

5.7.4.1. Development of localized market rules and settlement systems that reflect the unique operational characteristics and constraints of off-grid networks;

5.7.4.2. Prepare a dispatch protocols to guide the SGSO in procuring and dispatching RPS from ESS facilities in off-grid contexts; and

5.7.4.3. Enhancement of digital infrastructure and control systems to support real-time monitoring, pricing, and dispatch of ESS resources in isolated grids.

5.8. **National Electrification Administration.** The NEA shall:

5.8.1. Conduct capacity building to conduct DIS and CAPEX projects planning to ensure compliance with this Circular by including ESS projects in the ECs' DDPs.

5.8.2. Ensure that ECs are monitoring all ESS within its franchise area.

5.8.3. Assist the ECs to implement this policy.

5.9. **Department of Energy.** The DOE shall:

5.9.1. Develop a National Roadmap for ESS to be included in the next issuance of the Philippine Energy Plan.

5.9.2. In consultation with TRANSCO and DUs, include ESS integration in the preparation of the Missionary Electrification Development Plan (MEDP), in case of off-grid areas.

5.9.3. Consider and incorporate the provisions of this Circular in the review of the TDP, DDP and Missionary Electrification Plan.

5.9.4. Review and issue a Certificate of Endorsement to the ERC for the issuance of a Certificate of Compliance to power projects with ESS.

5.9.5. Issue policies and revisions, if necessary, depending on the international and local electric power industry developments on the integration of ESS technologies.

SECTION 6. The following provision shall be included in Section 7 of DC2023-04-0008:

"**Section 7. Connection and Operational Requirements.** The following shall govern the connection and operational requirements of ESS:

7.1 xxx xxx

7.2 xxx xxx

7.3 xxx xxx

7.4 xxx xxx

7.5 xxx xxx

7.6. All ESS facility shall only be subjected to a single Transmission Charge, regardless of whether it is injecting or drawing electricity."

SECTION 7. REGULATORY SUPPORT. Within ninety (90) days after the effectivity of this Circular, the ERC shall:
Provide the implementing guidelines required to support this Circular, which may include but not limited to the following:

7.1.1. Licensing;

7.1.2. Operating Standards; and

7.1.3. Cost Recovery mechanism to allow Revenue Stacking.

7.2. In line with the obligation under DOE DC No. DC2023-04-0008, the ERC shall study and issue, as the case may be, amendments to the Open Access Transmission Rules and Distribution Service Open Access Rules on the applicability of *a one-time* wheeling charge and other regulated charges for transmission and distribution services.

SECTION 8. SEPARABILITY CLAUSE. If any section or provision of this Circular is declared unconstitutional or invalid, such parts not affected shall remain valid and subsisting.

SECTION 9. REPEALING CLAUSE. The provisions of other circulars, orders, issuances, rules, and regulations which are inconsistent with the provisions of this Circular, are hereby repealed, amended, modified, or superseded accordingly.

SECTION 10. EFFECTIVITY. This Circular shall take effect immediately upon its publication in the Official Gazette or in two (2) newspapers of general circulation. A copy of this Circular shall be filed with the University of the Philippines Law Center – Office of National Administrative Register (UPLC-ONAR).

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

SHARON S. GARIN
Secretary