

- DRAFT -

Republic of the Philippines  
**ENERGY REGULATORY COMMISSION**  
San Miguel Avenue, Pasig City

**LICENSING RULES FOR DISTRIBUTED  
ENERGY RESOURCES AND MICROGRID SYSTEMS**  
[ADDENDUM TO THE 2014 REVISED RULES FOR THE ISSUANCE OF  
CERTIFICATES OF COMPLIANCE (COCs) FOR GENERATION COMPANIES,  
QUALIFIED END-USERS AND ENTITIES WITH SELF-GENERATION FACILITIES]

Pursuant to Section 6 of Republic Act No. 9136 (R.A. 9136), its Implementing Rules and Regulations, the Philippine Grid Code and the Philippine Distribution Code, the Energy Regulatory Commission (ERC) hereby adopts and promulgates these "Licensing Rules for Distributed Energy Resources (DERs) and Microgrid Systems", hereinafter referred to as the "**DER Licensing Rules**".

**ARTICLE I  
GENERAL PROVISIONS**

Section 1. **Purpose.** – This set of DER Licensing Rules is being issued as an Addendum to the 2014 Revised Rules for the Issuance of Certificates of Compliance (COCs) for Generation Companies, Qualified End-users and Entities with Self-Generation Facilities (2014 Revised COC Rules), and for the following purposes:

- a. To take cognizance of arrangements made in the supply of electricity other than: (1) the sale made by independent power producers defined under R.A. 9136; (2) transactions made under net-metering arrangements; and, (3) self-generation of electricity;
- b. To facilitate and recognize the integration and entry of distributed energy resources into the transmission and distribution system which have significant potential to address the nation's energy challenges;
- c. To identify additional categories covering entities with generation facilities which have entered into supply arrangements which have not been contemplated under current issuances of the ERC; and,
- d. To establish the requirements of and procedures for the application of licenses for said entities and prescribe the legal obligations applicable to grantees of such Certificates of Compliance (COCs).

## Section 2. **Guiding Principles.**

No Person may engage in the Generation of Electricity unless it has secured a COC from the ERC allowing it to operate facilities used in the generation of electricity.

These Rules are designed for Generation Companies owning and commercially operating distributed energy resources and microgrid systems. These Generation Companies are classified neither as Independent Power Producers (IPPs), Qualified End-Users (QE), nor Self-Generating Facilities as defined under R.A. 9136 and the 2014 Revised COC Rules.

All other guiding principles stated in the 2014 Revised COC Rules shall apply insofar as they are not inconsistent herewith.

Section 3. **Definition of Terms.** – For the purpose of these DER Licensing Rules, the definition of terms indicated in the 2014 COC Revised Rules is hereto adopted, and shall include the following:

- a. **“Contestable Customer”** refers to an electricity End-user that belongs to the Contestable Market, in accordance with the threshold levels determined by the ERC.
- b. **“Distributed Energy Resources (DERs)”** refer to smaller power sources that could be aggregated to provide power necessary to meet regular demand. These may also refer to demand- and supply-side resources that can be deployed throughout the system of a network service provider to meet the energy and reliability needs of the customers served by the system, including, but not, limited to renewable energy facilities, managed loads (including electric vehicle charging), energy storage, and other measures necessary to incorporate renewable generation resources, including load management and ancillary services, such as reserves, voltage control and reactive power and black start capabilities.
- c. **“Distributed Generation Companies (DGCs)”** refer to entities owning and/or operating Distributed Energy Resources or microgrid systems serving a particular end-user under commercial agreements/arrangements identified herein.
- d. **“End-User”** refers to any person or entity requiring the supply and delivery of electricity for its own-use.
- e. **“Microgrid”** system refers to a group of interconnected loads and distributed energy resources with clearly

defined electrical boundaries that acts as a single controllable entity with respect to the distribution or transmission grid, whichever is applicable and can connect and disconnect from the grid to enable it to operate in both grid-connected or island mode.

- f. **“Retail Electricity Supplier (RES)”** refers to any Person or entity authorized by the ERC to sell, broker, market or aggregate electricity to the End-users.
- g. **“Retail Electricity Supplier’s (RES) License”** refers to the authority granted by the ERC to any person or entity to act as supplier of electricity to the Contestable Market.

Section 4. **Scope.** – There is hereby created an additional category of license covering facilities the supply of electricity, hereinafter referred to as COC-DER. The said requirement for a license shall apply to Distributed Generation Companies, owning or operating any of the following:

- a. A DER or a microgrid system that is installed in the premises of, and directly connected to, the load side of an End-user with no interconnection to the transmission or distribution network, and dedicated to supply a portion or all of the requirements of an End-user under a sale, lease or other commercial arrangements: *Provided*, That the Distributed Generation Company and End-user are two (2) different juridical persons.
- b. A DER or a microgrid system that is installed in the premises of an End-user with an existing interconnection to the transmission or distribution system with arrangements to supply a portion or all of the requirements of an End-user under a sale, lease or other commercial arrangements: *Provided*, That the Distributed Generation Company and End-user are two (2) different juridical persons: *Provided further*, That the installed capacity of the facilities should be greater than 100kW.

Section 5. **Limitations and Applications.** – The following are the limitations and applications in the operations of the DERs:

- a. No limitation on the installed capacity shall be imposed on the DERs under Section 4(a): *Provided*, That the interconnection facilities to the distribution or

transmission network shall be subject to the following standards:

- i. For DERs and microgrid systems with an installed generation capacity of not more than 100kW, the DGSc shall comply with the interconnection standards embodied in Resolution No. 9, Series of 2017 entitled "A Resolution Adopting the Rules Enabling the Net-Metering Program for Renewable Energy" shall apply.
  - ii. For DERs and microgrid systems with an installed generation capacity of more than 100kW, the connection requirements as embodied in the Philippine Grid Code and the Philippine Distribution Code shall apply.
- b. For DERs under Section 4(b) where the installed capacity of the facilities should be greater than 100kW, the maximum capacity shall depend on the supporting Distribution Impact Study (DIS) and/or System Impact Study (SIS), whichever is applicable, but should not exceed the aggregate rated capacity of 10MW for DERs located in Luzon and 5MW for DERs located in Visayas and Mindanao.
  - c. The default meter service providers for DERs and microgrid systems referred to in Section 4(b), Article I shall be the applicable network service providers where the facilities are located and shall be subject to such metering standards as are prescribed under the Philippine Grid Code or Philippine Distribution Code.
  - d. Should the DER be located and installed within the premises of a Contestable Customer and serves a portion or all the requirements of said End-user, a DGC is allowed to enter into commercial arrangements with such a Contestable Customer without securing a license as an RES; *Provided*, That such arrangement is made only with a single Contestable Customer; *Provided further*, That should installations and arrangements be made with multiple Contestable Customers, an RES license shall be required.
  - e. The commercial arrangements/agreements of the DGCs with their End-users shall not require prior approval of the ERC.
  - f. DGCs using renewable technologies for their DERs shall comply with the ownership requirement prescribed by the Constitution and applicable laws.

## **ARTICLE II REQUIREMENTS AND PROCEDURES**

Section 1. **In General.** – A DGC shall apply for the issuance of a COC to cover its DER or microgrid system with the ERC within sixty (60) days prior to test and commissioning.

Provided all the requirements shall have been complied, the ERC shall notify the DGC of its action within sixty (60) calendar days from completion of the required documents. In the event that the ERC requires the submission of additional information, or orders the postponement of final action on an application on reasonable grounds, the 60-day period shall be reckoned from the date of complete submission of the required information or the lifting of the suspension of the final action on the application. The ERC shall deny the application should the applicant fail to submit all the information and other requirements within the period allowed, without prejudice to the re-filing of such application.

If an applicant has filed its application in accordance with the preceding paragraph but has not been issued a COC within the 60-calendar day period, its application shall be deemed provisionally approved. The DERs of DGCs shall be exempted from the conduct of technical inspection by the ERC.

The DGCs shall be exempted from the Transmission Cross-Ownership Prohibition, Limits on Concentration in ownership of Generating Capacity, and Public Listing Requirements.

### **Section 2. Documents/Information Required for New COC Applications of DGCs . –**

The following documents/information shall be submitted by the DGCs at the time of application:

(a) **General Requirements**

- (i) Application Form (COC Form No. 1D); and
- (ii) Company Profile (COC Form No. 2D).

(b) **Technical Qualification**

- (i) Management and/or lease contracts in force (*in case the plant is operated, leased and/or managed by an entity other than the owner*), if applicable;
- (ii) Technical Requirements

1. System Single Line Diagram;
  2. Unit Specifications such as Minimum Stable Load, Maximum Stable Load, Ramp Up Rate and Ramp Down Rate, including unit Heat Rate, if applicable; and
  3. Customer Load Description to be served.
- (c) Ownership/Control
- (i) Copy of Articles of Incorporation/Partnership with Certificate of Registration from the Securities and Exchange Commission (SEC) or Business Name of Registration from the Department of Trade and Industry (DTI) for Single Proprietorship, whichever is applicable.
- (d) Other Requirements
- (i) Proof of commercial agreement(s)/ arrangement(s);
  - (ii) Copy of Permit to Operate (PTO) for diesel generating units; and
  - (iii) Such other information or document that the ERC may require. Any additional technical information may be required by the ERC upon prior notice to the applicant.
- (e) Additional Requirements for DERs under Section 4(b), Article I;
- (i) Interconnection plans/details with the distribution system of the DU or with the Grid System;
  - (ii) Connection agreement with the DU;
  - (iii) Distribution Impact Study (DIS) or System Impact Study (SIS), whichever is applicable;
  - (iv) Latest General Information Sheet (GIS) of the applicant – SEC Form;
  - (v) Certificate of Wholesale Electricity Spot Market (WESM) membership or Application for WESM Membership, as may be applicable; and
  - (vi) Copy of RES license, if applicable;

**Section 3. Documents/Information Required for Applications for COC Renewal of DGCs**

The following documents/information shall be submitted by the DGCs at the time of application for renewal of its COC.

(a) General Requirements

- (i) Application Form (COC Form No. 1D);
- (ii) Company Profile (COC Form No. 2D); and
- (iii) Five (5) year operational history (Form No. 3D).

(b) Technical Qualification

- (i) Management and/or lease contracts in force (*in case the plant is operated, leased and/or managed by an entity other than the owner*), if there are changes;
- (ii) Technical Requirements
  1. System Single Line Diagram;
  2. Unit Specifications such as Minimum Stable Load, Maximum Stable Load, Ramp Up Rate and Ramp Down Rate, including unit Heat Rate, if there are changes; and
  3. Customer Load Description to be served.

(c) Ownership/Control

- (i) Copy of Articles of Incorporation/Partnership with Certificate of Registration from the Securities and Exchange Commission (SEC) or Business Name of Registration from the Department of Trade and Industry (DTI) for Single Proprietorship, whichever is applicable (if there are changes).

(d) Other Requirements

- (i) Proof of commercial agreement(s)/ arrangement(s), if there are changes;
- (ii) Latest copy of Permit to Operate (PTO) for diesel generating units; and
- (iii) Such other information or document that the ERC may require. Any additional technical information may be required by the ERC upon prior notice to the applicant.

(e) Additional Requirements for DERs under Section 4(b), Article I of this Rules

- (i) Interconnection plans/details with the distribution system of the DU or with the Grid System, if there are changes; and
- (ii) Latest General Information Sheet (GIS) of the applicant - SEC Form.

**ARTICLE IV  
OBLIGATIONS OF DISTRIBUTED GENERATION  
COMPANIES**

Section 1. **Compliance with Technical Standards.** – A DGC shall ensure that its facilities meet the applicable technical design and operational criteria of the PGC and PDC, International Standards and Rules promulgated by the ERC.

Section 2. **Compliance with Environmental Standards.** – A DGC shall ensure that its facilities, particularly using thermal technologies, comply with applicable environmental laws, rules and regulations.

Section 3. **ERC Reportorial Requirements.** – Within three (3) days from the happening of an event which results in a material change concerning or potentially affecting the company's ownership, management, operations, performance including changes in its technical descriptions, the DGCs shall submit a written disclosure to the ERC of such fact or event and its impact on the company. Thereafter, if called for, the DGC shall apply for the amendment of any changes in the technical description of its facilities.

Section 4. **Exemptions.** – The DGCs shall not be required to comply with the following obligations:

- a. Contribution to the Universal Charge pursuant to Section 7, Rule 18 of the Implementing Rules and Regulations of R.A. 9136;
- b. Providing financial benefits to host communities under Chapter II, Sections 289 to 294 of the Local Government Code and Section 5(i) of R. A. 7638 and their Implementing Rules and Regulations, and under Chapter II, Section 291 of R. A. 7160; and
- c. Compliance with DOE Reportorial Requirements under Section 9, Article IV of the 2014 Revised Rules.

**ARTICLE V  
ISSUANCE, TERM, RENEWAL OF THE CERTIFICATE OF  
COMPLIANCE**

Section 1. **Issuance and Term.**- Upon compliance with the **requirements** as provided in these Rules, the ERC shall issue a COC in favor of the DGC subject to compliance with such other terms and conditions as the ERC may require, which shall be valid for a period of five (5) years, unless sooner revoked by the ERC after due notice and hearing.



**Section 2. Form.** - The COC including its annexes, to be issued by the ERC shall be substantially in the form attached as Annex 1 hereof.

**Section 3. Renewal.** - A DGC intending to continue operating beyond the term of the issued COC shall apply with the ERC for its renewal at least six (6) months prior to its expiration. The application for renewal of the COC shall be accepted only if submitted together with all the relevant documents, required information disclosure and proof of conformity to the obligations set forth in these Rules and after the required fees shall have been paid. The ERC shall endeavor to resolve the application for renewal within the six (6) month period prior to expiration of the COC's term.

If the DGC has filed its application for renewal in accordance with the preceding paragraph but has not been issued a new COC prior to expiration of its present one, its application shall be deemed provisionally approved.

Notwithstanding the date of the final approval of the application for COC renewal, the new COC shall be deemed to have been issued on the day immediately following the expiration of the previously issued COC and the new 5-year term shall be reckoned from such date.

## **ARTICLE VI FEES AND CHARGES**

The following are the COC fees to be imposed upon the DGC in the filing of applications of its facilities in accordance with the fees imposed upon entities with SGFs as per Resolution No. 21, Series of 2007 (A Resolution Approving the Revised Schedule of ERC Fees & Charges) as may be amended; *viz*:

<b>Rated Capacity</b>	<b>COC Fees</b>
100 kW and below	PhP1,500.00
101 – 500 kW	PhP5,000.00
501 – 999 kW	PhP7,500.00
1 MW and above	PhP10,000.00

## **ARTICLE VII MONITORING**

The ERC shall monitor the compliance of the DGCs with the terms and conditions of their COCs and the provisions of these Revised Rules.

