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# ERC Regulatory Framework for New Power Providers (NPP) and Qualified Third Parties (QTP)

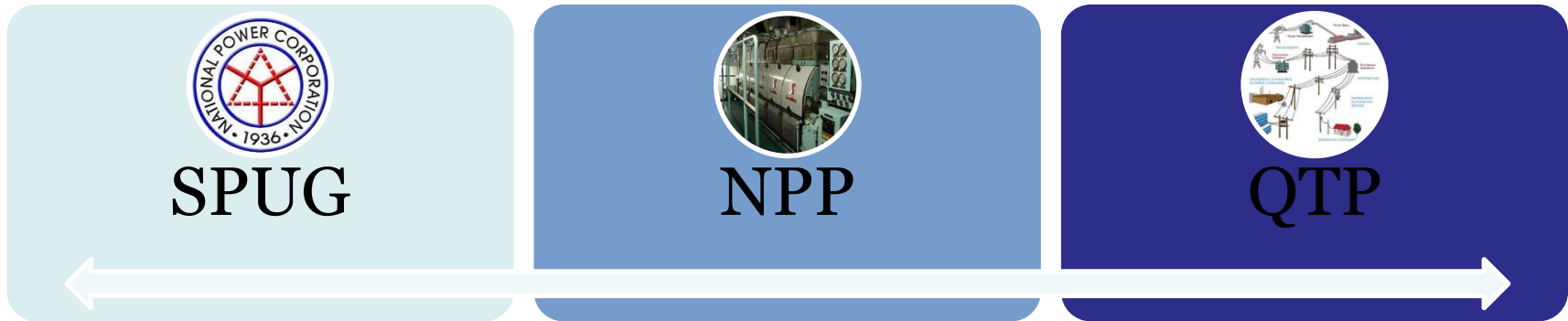
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**Energy Regulatory Commission**

**Philippines Mini-Grid B2B Forum**

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# Missionary Electrification



On January 26, 2004, the Department of Energy (DOE) issued **Department Circular No. DC 2004-01-001 (NPC-SPUG Circular)** prescribing the rules and procedures for Private Sector Participation (PSP) in NPC-SPUG Areas.

**New Power Provider (NPP)** – an entity that is technically and financially capable to serve or take over existing NPC SPUG areas.

**Qualified Third Party (QTP)** – refers to an alternative service provider that meets the standard in and is chosen in accordance with DOE Circular No. 20015-12-011, and is duly qualified and authorized by the ERC to serve Declared Unviable Areas pursuant to Section 59 of the EPIRA and Rule 14 of the EPIRA-IRR

# ERC Resolutions

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## **ERC Resolution 22, Series of 2006**

A Resolution Promulgating the Rules for the Regulation of Qualified Third Parties Performing Missionary Electrification in Area Declared Unviable by the Department of Energy

## **ERC Resolution 21, Series of 2011**

Amended Guidelines for the Setting and Approval of Electricity Generation Rates and Subsidies for Missionary Electrification Area (Amended Res. 11, S. 2005)

## **ERC Resolution 2, Series of 2015**

A Resolution Directing Distribution Utilities and Generation Companies to Jointly File their Respective Applications for the Approval of the their Power Supply Agreements

## **ERC Resolution 13, Series of 2015**

A Resolution Directing All Distribution Utiliries (DUs) to Conduct a Competitive Selection Process (CSP) in the Procurement of their Supply to the Captive Market

## **ERC Resolution 1, Series of 2015**

A Resolution Restating the Effectivity of ERC Resolution No. 13, Series of 2015

# NEW POWER PROVIDER (NPP)



## CSP

Distribution Utility (DU)  
conducts Competitive  
Selection Process

DOE Circular No. DC 2004-  
01-001

ERC Resolution 13, Series of  
2015 and Resolution 1, Series  
of 2016



## PSA

DU executes Power Supply Agreement

Secures other necessary permits



## ERC

Joint Application by the DU and NPP (ERC  
Resolution 2, Series of 2015)

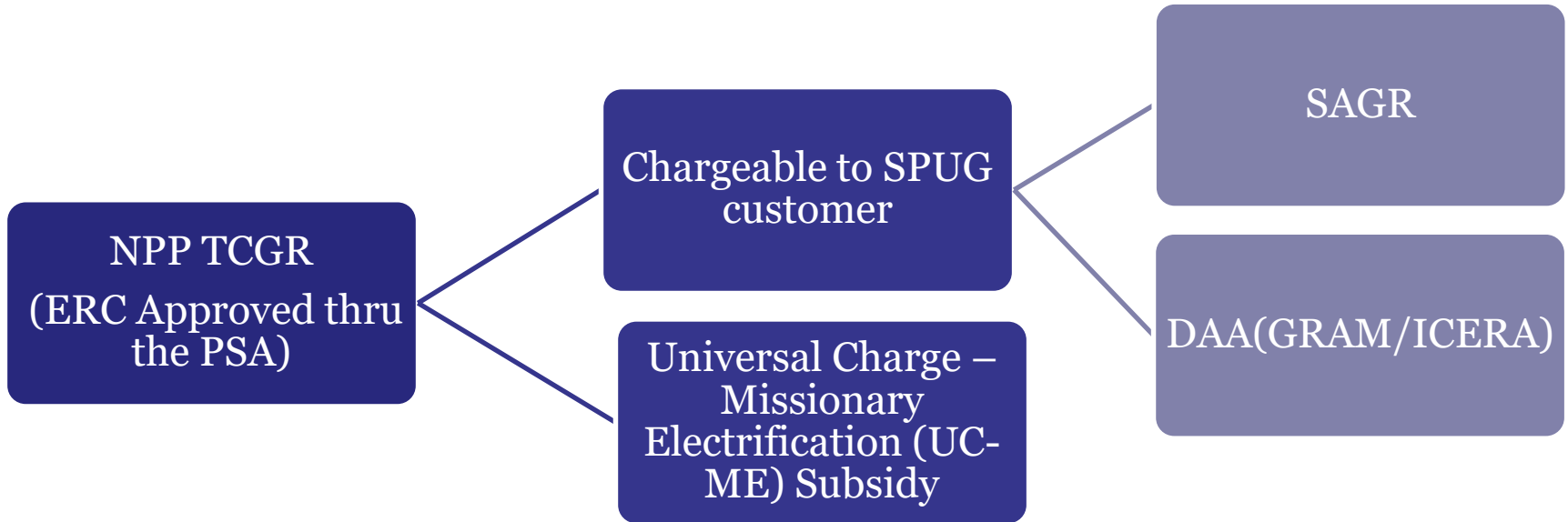
Approval of the TCGR and UC-ME Subsidy as  
necessary

# NPP Requirements

Application for Power Supply Agreement (PSA) should be jointly filed by the DU and the NPP with the following requirements:

- Signed Power Supply Agreement (Jointly filed by DU and GenCo per Resolution No. 2, Series of 2015);
- Procurement Process of the DU in accordance with ERC Resolution no. 13, Series of 2015 and Resolution no. 1, Series of 2016;
- Demand-Supply Scenario of the DU;
- Derivation of the Rates;
- Technical and economic characteristics of the plant;
- Audited Financial Statements and other contracts to support computation;
- Other government agency requirements (DOE COE, DENR ECC, etc.); and
- Other supporting documents that may be required.

# NPP Rate Structure



# Qualified Third Party (QTP) Rules



On **3 May 2006**, the Commission issued **ERC Resolution 22, Series of 2006**:

*A Resolution Promulgating the Rules for the Regulation of Qualified Third Parties Performing Missionary Electrification in Area Declared Unviable by the Department of Energy*

## The word "Provision" in a blue, sans-serif font, with a green checkmark symbol integrated into the letter 'i'.

## Purpose

- How ERC will qualify and authorize electric service providers
- Issuance of necessary permits
- Setting the rates, subsidies and service standards

## A red rectangular stamp with the word "QUALIFIED" in white, bold, capital letters.

## Qualifications

- Who may become a QTP?
- Application for the Authority to Operate (ATO)



## Compliance

- Service Standards Compliance with Distribution Code
- Rules for the Setting of Service and other Standards

# QTP Requirements

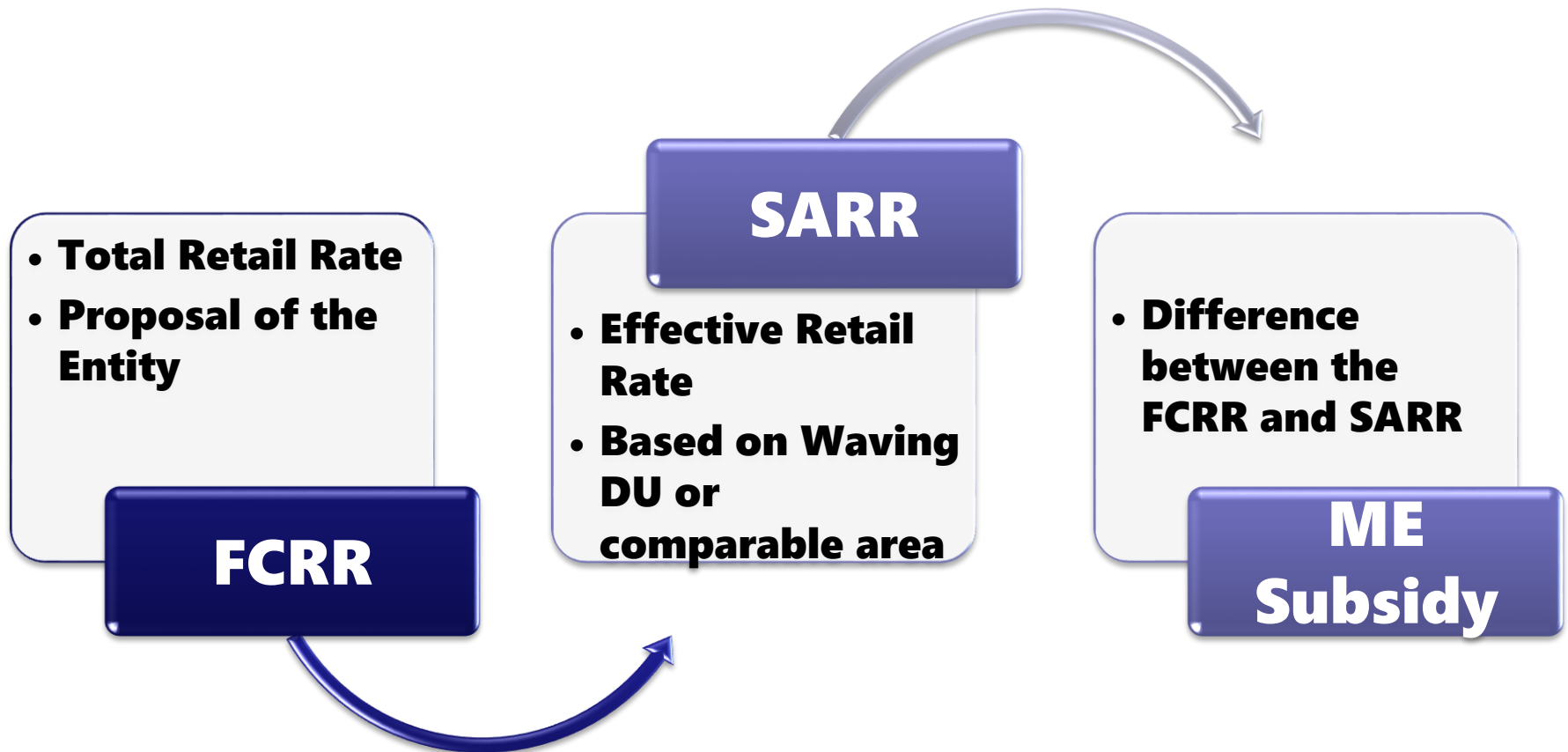
Application for Authority to Operate (ATO) as QTP shall be filed with the following requirements:

- Signed QTP Service Contract (QSC) between QTP and NPC;
- Waiver Contract signed by the concerned DU and the QTP;
- Subsidy Disbursement Agreement between QTP and NPC, if any;
- DOE Certification that the QTP was pre-qualified in accordance with DOE Circular 2004-06-006 and 2005-12-011;
- DOE Certification that the QTP was determined based on the DOE's Selection Process
- Relevant Technical details of engineering design of the proposed system;
- Relevant financial details of the project;
- Other government agency requirements (DOE COE, DENR ECC, etc.); and
- Other supporting documents that may be required.



# QTP Rate Structure

Process for Setting and Adjusting the Full Cost Recovery Rate(FCRR), the Subsidizes Approved Retail Rate (SARR) and Missionary Electrification Subsidy (ME Subsidy)



# UC-ME Subsidy



## ERC Resolution 21, Series of 2011

*Amended Guidelines for the Setting and Approval of Electricity Generation Rates and Subsidies for Missionary Electrification Area (Amended Res. 11, S. 2005)*

### Section 4 Article II

*ME Subsidy payments to NPPs will be paid first out of the total disbursement to NPC SPUG by PSALM*

### Section 2 (a) Article V

- *provides that the NPC-SPUG shall periodically file (on or before March 15 of every calendar year) for the availment of the estimated UC-ME Subsidy requirement including that of the NPP and QTP*

*Article IV – Availment of Cash Incentive by Renewable Energy Developers for Missionary Electrification*

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*Thank you!*



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