

LEGAL ALERT

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The Establishment and Development of Philippine Competitive Renewable Energy Zones

The Department of Energy (“DOE”) has issued Department Circular No. DC2018-09-0027 (“the Circular”), which seeks to identify competitive renewable energy zones (“CREZ”), which in turn will direct the Philippines’ power transmission development to reach areas with potential indigenous energy resources. The Circular aims to overcome development obstacles in the renewable energy (“RE”) industry, including constraints on transmission as well as regulatory barriers that hinder the entry of private sector investment.

The Circular was issued pursuant to the Electric Power Industry Reform Act, otherwise known as Republic Act No. 9136, which declares that, among others, it is the policy of the State to assure socially and environmentally compatible energy sources and infrastructure and promote the utilisation of both indigenous and new RE resources in power generation in order to reduce dependence on imported energy. Furthermore, the Circular was issued to support the study entitled “Greening the Grid: Solar and Wind Integration Study for the Luzon-Visayas Systems in the Philippines,” which found that while the country is home to an abundance of RE resources,^[1] in order to achieve the RE targets, policy changes are needed to provide regulatory support for the electric power industry.

In order to identify the CREZ, the DOE has defined the “CREZ Process” as to support the DOE in the identification and establishment of the CREZ and preparation of the Power Development Plan (“PDP”). The CREZ Process is as follows:

1. Identify candidate RE Zones, which represent geographic areas characterized by high-quality, low-cost RE potential in addition to high levels of private-sector developer interest;
2. Identify a set of transmission expansion and/or upgrade scenarios that will enhance the deliverability of energy originating from candidate RE zones identified in step 1;
3. Analyze economic, operational, environmental, and other costs and benefits associated with the required transmission enhancement scenarios; and
4. Specify cost-effective transmission line enhancements proposed to be included in the Transmission Development Plan (“TDP”), as reviewed and approved by the DOE.

The CREZ Process shall be undertaken by the Technical Advisory Committee (“TAC”) with the support of Working Groups, that have yet to be created, namely the (i) Zone Identification and Technical Analysis Working Group; and (ii) Generation and Transmission Modelling Working Group. The Working Groups will provide support in the integrated clean energy generation and transmission planning analysis.

The Circular will apply to all electric power industry participants as well as expand the scope of works for the TAC and Modelling Working Groups (“MWG”), which were both first created under DOE Department Circular No. DC2015-11-0017, in order to further enhance the planning process and strengthen the implementation of the Philippine Energy Plan (“PEP”), the PDP, Transmission Development Plan (“TDP”) and the National Renewable Energy Program (“NREP”), among others. The focus of the CREZ analysis will include the power interconnections in Luzon, Visayas and Mindanao and the relevant agencies and electric power industry participants will need to provide the necessary data and information in order to complete the applicable analysis.



If you have any questions or require any additional information, please contact [Felix Sy](#) or [Lorybeth Baldrias Serrano](#) or the ZICO Law partner you usually deal with.

This alert is for general information only and is not a substitute for legal advice.

[1] Department of Energy, 'Greening the Grid Report' (DOE, January 2018), accessed on 23 October 2018.

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