

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Manila

TWENTIETH CONGRESS
Second Regular Session

HOUSE BILL NO. 10718



Introduced by Rep. Arnulf Bryan "Arnie" B. Fuentebella

EXPLANATORY NOTE

Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001, declares it the policy of the State to ensure the quality, reliability, security and affordability of supply of electric power, and to ensure socially and environmentally compatible energy resources and infrastructures. Likewise, the EPIRA declares it is a policy for the State to promote the utilization of indigenous, new and Renewable Energy (RE) resources in the power generation in order to reduce dependence on imported energy.

These policy objectives remain particularly relevant in light of the Philippines' persistent energy challenges. Electricity costs in the country continue to rank among the highest in the Southeast Asia Region, placing a significant burden on households and increasing the operating costs of businesses and industries, and ultimately affecting the competitiveness of the Philippine economy. At the same time, the country's rapidly growing electricity demand, recurring power supply constraints, and continued exposure to fluctuations in global fuel prices underscore the vulnerabilities of an energy system that remains substantially dependent on conventional sources.

These circumstances highlight the continuing need to advance the policies embodied in the EPIRA by promoting a more resilient, diversified, and sustainable energy sector capable of providing reliable and affordable electricity while meeting the country's growing energy requirements.

In finding alternative modes of generating energy and in its effort to promote the use of renewable energy, the Energy Regulatory Commission, through its Resolution, recognized and institutionalized Distributed Energy Resource (DER) in the pursuit of accelerating the exploration and development of renewable energy.

As such, in order to further enhance and explore the capabilities of DERs, we are introducing this bill to allow for technology integration, particularly, the implementation of smart grid systems, peer to peer trading, and introduction of the Distributed Energy Market Operator.

Given the foregoing, the immediate passage of this measure is earnestly sought.


ARNULF BRYAN "ARNIE" B. FUENTEBELLA
Representative, Camarines Sur (4th District)

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AN ACT INSTITUTIONALIZING DISTRIBUTED ENERGY RESOURCES

Be it enacted by the Senate and the House of Representatives of the Philippines in Congress assembled:

CHAPTER I
GENERAL PROVISIONS

SECTION 1. Title. – This Act shall be known as the “Distributed Energy Resources Act of 2026”.

SECTION 2. Declaration of Policy. It is hereby declared the policy of the State:

- a) To ensure the quality, reliability, security, and affordability of electric power supply;
- b) To promote investments and private inflow in the power industry;
- c) Increase the utilization of renewable energy and promoting its efficient and cost-effective commercial applications;
- d) To protect the public from the volatile fluctuations in electricity pricing; and
- e) Establish the necessary infrastructure and mechanism to carry out the mandates specified in this Act and other existing laws.

Towards this end, a holistic approach on Distributed Energy Resources shall be established, which includes among others, its different components, commercial aspects and technical requirements.

SECTION 3. Scope and Application. This Act shall apply to any Distribution Utility, Generation Company, End-User, System Operator and Market Operator.

SECTION 4. Definition of Terms. – For purposes of this Act, the following terms shall be defined as stated below: *Provided*, that other terms used in this Act not otherwise but not defined herein shall have such means as ascribed to them be understood to mean the way they are defined in Republic Act No. 9136 and Republic Act No. 9513 and their Implementing Rules and Regulations:

- a) **Advanced Distribution Management System (ADMS)** - refers to a platform that integrates hardware and multiple utility-based systems which provides automated outage restoration and optimization of distribution grid performance;

- b) **Department of Energy (DOE)** – refers to the government agency created pursuant to Republic Act No. 7638 and whose functions were expanded by Republic Act No. 9136;
- c) **Distributed Energy Resource (DER)** - as defined in Section 5 of this Act;
- d) **Distributed Energy Resources Market Operator (DERMO)** - refers to the DU with respect to the DERs within its franchise area. For this purpose, the DU can engage a third-party market operator to execute this function;
- e) **Distributed Generation** - refers to a system of small generation entities supplying directly to the distribution grid, regardless of capacity;
- f) **DER Participant** - refers to any End-User that owns or operates any DERs or any End-User that participates in any Peer-to-Peer Transaction involving DER.
- g) **Distribution Utility** – refers to any Electric Cooperative, private corporation, government-owned utility, or existing local government unit which has an exclusive franchise to operate a distribution system;
- h) **Embedded Generation** - refers to generation system directly and physically connected to the DU that is either (1) exports power to the Grid through the distribution utility or (2) physically supplies power exclusively to the host DU;
- i) **End-User** - refers to any person or entity requiring the supply or delivery of electricity for its own use;
- j) **Energy Regulatory Commission (ERC)** – refers to the regulatory body created pursuant to Republic Act No. 9136;
- k) **Electronic Network-Based Platform** – refers to a computer network system as well as the instruments and apparatuses allowing the execution of related methods of operation and a plurality of user client devices capable of connecting to the communication network;
- l) **Fault Location, Isolation and Service Restoration (FLISR)** - refers to various technologies and systems which work in tandem to locate a fault, reduce both the impact and length of power interruptions by isolating the affected area/s, and automate power restoration;
- m) **Generation Company** – refers to any person or entity authorized to operate facilities used in the generation of electricity;
- n) **Market Operator** – the operator of the Wholesale Electricity Spot Market as established by the DOE pursuant to Republic Act No. 9136;
- o) **Peer-to-Peer Transaction** - refers to any form of transaction between or among End-Users within the same franchise area and involving the exchange of excess energy of any DER belonging to one or more of the End-Users. All Peer-to-Peer Transactions shall be conducted through the DERMO.
- p) **Retail Electricity Supplier (RES)** - refers to entities licensed by the Energy Regulatory Commission (ERC) to supply electricity to contestable end-users; and

- q) **Rooftop Solar** - refers to a photovoltaic (PV) system that has electricity generating solar panels mounted on the rooftop of a residential or commercial building or structure;
- r) **Smart Distribution/Smart Automation (SDA/SSA)** - refers to various automated control techniques that optimize the performance of power distribution networks by allowing individual devices to sense the operating conditions of the grid around them and make adjustments to improve the overall power flow and optimize performance;
- s) **Smart Grid** - refers to a modernized electrical grid that utilizes innovative technologies with two-way and/or multi-way communication technologies, real-time monitoring and control systems to (1) improve overall reliability, power quality, security, efficiency and management of the electricity grid with full cybersecurity and interoperability; (2) allow suitable integration of bulk and flexible generation, distributed energy resources, micro-grids, and electric vehicles with management systems; and (3) empower customers with the provision of timely information and control options through enhanced energy management systems;
- t) **Smart Meter** - refers to an electronic real-time energy-measuring device that is capable of remote connect / disconnect switching, outage and tamper detection, and has a two-way communication between the meter and the utility. A smart meter records consumption of electric energy in intervals of an hour or less and communicates that information back to the utility for monitoring and billing;
- u) **Virtual Power Plant (VPP)** - refers to a cloud-based power plant that aggregates the capacities of various distributed generators for the purposes of trading or selling power on the DERMO.
- v) **Wholesale Electricity Spot Market (WESM)** - refers to the wholesale electricity spot market created pursuant to Republic Act No. 9136

CHAPTER II TECHNOLOGY INTEGRATION

SECTION 5. The DER Components. DERs refer to smaller power sources, either demand or supply side, that can be aggregated to provide power necessary to meet regular demand and reliability needs of the Distribution Utility. DERs may either be active or passive energy systems built up from behind or in-front of the meter at the side of the End-User. DERs shall include the system of energy aggregation, central scheduling and dispatch, as well as, settlement of energy transactions between End-users. The general components of DER are as follows:

- a) Embedded generation;
- b) Rooftop solar;
- c) Distributed generation;
- d) Virtual Power Plant;
- e) Peer-to-Peer Transaction;
- f) DERMO;
- g) End-User Participant; and
- h) Other participants as may be determined by the Department of Energy.

SECTION 6. Smart Grid Implementation. The DUs shall prepare for a full smart grid implementation based on a plan to be issued by the DOE, in consultation with industry stakeholders. The short-term, medium-term, and long-term targets shall be included in the plan. The DU's plan shall be subject to the approval of the DOE.

All DUs shall identify the current smart grid implementation level and submit all pertinent details to DOE and ERC no later than six (6) months from the effectivity of this Act.

The ERC shall estimate the costs of full conversion to smart grid and coordinate with DOE on the smart grid implementation plan for all DUs. The ERC shall correspondingly approve capital expenditures of each DU aligned with the smart grid implementation plan as approved by the DOE.

After the DOE certifies that a DU has initiated the implementation of Fault Location, Isolation and Service Restoration and/or Advanced Distribution Management System with Smart Distribution Automation and Smart Substation Automation, the DU shall be qualified to function as a DER Market Operator.

SECTION 7. Standards and Accreditation of DERs by DUs. The ERC shall develop a defined list of inverters allowed for use by customers, in consultation with the DUs.

SECTION 8. Distribution Network Improvement. The DUs shall be allowed to upgrade facilities to cater to DERs and include projects under its capital expenditure program to be approved by ERC. The ERC shall take into account the DER projections and system requirements in the approval of such capital expenditures. The ERC shall also revise the Philippine Distribution Code to consider DER implementation.

CHAPTER III DER MARKET OPERATOR

SECTION 9. DER MARKET OPERATOR (DERMO). In order to balance the DU system requirements, the commercial aspects and ensure End-user participation, there shall be a DER market which will be operated by the DERMO, wherein all Peer-to-Peer and Virtual Power Plant Transactions shall be registered and settled.

An End-User owning or operating any DERs system shall be entitled to become a DER Participant, subject to the requirements and qualifications that shall hereafter be promulgated by the Department of Energy.

SECTION 10. Responsibilities of the DERMO. The DERMO shall have the following responsibilities:

- a) Allow the connection and operation of DERs in the franchise area, subject to the technical requirements of the host DU;
- b) Serve as the coordinator or facilitator of DERs, and ensure that the operation of DERs within their franchise areas shall not disrupt system security and reliability;
- c) Monitor risks to the overall condition of the distribution system;

- d) Address any questions or inquiries that may be raised by End-Users in connection with DERs, including the implementation of this Circular; and
- e) Perform such other duties and functions as may be necessary to attain the objectives of this Circular.

SECTION 11. Responsibilities of DER Participants. All DER Participants shall have the following responsibilities:

- a) Inform the DU of any intended installation of DERs, including the capacity, number, location, and type of DER installation;
- b) Provide all information and documentation requested and deemed necessary by the DU; and
- c) Comply with the technical requirements of the DU.

SECTION 12. Embedded Generation. Embedded Generation participation in the DERMO will be limited to those not registered to the Wholesale Electricity Spot Market (WESM).

CHAPTER IV PERMITTING REQUIREMENTS

SECTION 13. DERs Registration. Distributed generation facilities shall be exempted for a Certificate of Compliance requirement. However, all Distributed generation facilities shall register through their respective Local Government Units (LGUs), including requirements under local electrical code. The LGUs shall coordinate with the Distribution Utility in the corresponding franchise area on all applications received and approved.

Within five (5) years from the effectivity of this Act, the registration of Distributed generation shall be through a cellphone/computer application and integrated into the DERMO.

SECTION 14. Incentives. All DER components, as certified by the DOE through Republic Act No. 11234, shall be included in the Strategic Investment Priorities Plan (SIPP) for the next twenty (20) years from the effectivity of this Act. Persons or entities engaged in said projects registered with the DERMO of its host DU, and duly registered by any Investment Promotion Agency (IPA) shall be entitled to all the incentives under Title XIII (Tax Incentives) of the National Internal Revenue Code of 1997, as amended, and other incentives as may be provided by law.

The DER components which are also generation facilities shall not be liable to pay for ER 1-94, Universal Charge and all other charges that may be applicable under Section 66 of Republic Act No. 9136.

SECTION 15. Virtual Power Plant (VPP) Certification. All VPP participants to the DERs Market shall first secure a certification from the host DU confirming its status of being a Virtual Power Plant and capability to participate in the DERs Market.

CHAPTER V

FINAL PROVISIONS

SECTION 16. Responsibilities of the Department of Energy. The DOE shall prepare and issue a DER implementation roadmap, and prescribe the standards and guidelines needed for the different DER technologies in order to ensure security and reliability of the grid when the DERs are connected. Included in the DER implementation roadmap is the smart grid plan as defined in Section 6 of this Act.

SECTION 17. Regulatory Support. The Energy Regulatory Commission is hereby directed to formulate and implement all the guidelines, rules, and regulations concerning DERs in accordance with this Act and consistent, aligned and in accordance with the policy-direction of the DOE. In addition, the following shall be the responsibilities of ERC:

- a) Ensure approval of capital expenditure for DUs for system improvements in the inclusion of DERs in the network;
- b) Redesign the distribution wheeling rate to take into account the effect of DERs, e.g. inclusion of fixed component;
- c) Allow meter cost recovery;
- d) Redesign net metering rules to account for the market model;
- e) Allow DUs recovery as DERMO.

SECTION 18. Separability Clause. – If, for any reason, any provision of this Act is declared to be unconstitutional or invalid, the other sections or provisions hereof which are not affected thereby shall continue to be in full force or effect.

SECTION 19. Repealing Clause. – All laws, decrees, orders, rules and regulations or parts thereof which are inconsistent with or contrary to the provisions of this Act are hereby repealed, amended or modified accordingly.

SECTION 20. Effectivity. – This Act shall take effect fifteen (15) days after its publication in at least two (2) national newspapers of general circulation.

Approved.