



# PHILRECA

PHILIPPINE RURAL ELECTRIC COOPERATIVES ASSOCIATION, INC.  
— *The Philippines' Electric Cooperatives* —

25 April 2023  
COMMS-2023-119

**HON. WIN GATCHALIAN**  
*Vice Chairperson, Committee on Energy*  
SENATE OF THE PHILIPPINES  
GSIS Bldg., Financial Center, Diokno Blvd.  
Pasay City, Metro Manila

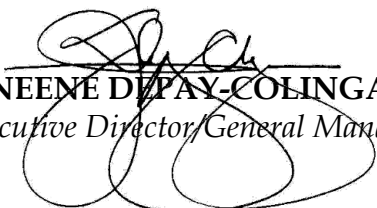
Dear **Sen. Gatchalian**:


Greetings of Peace from PHILRECA!

This is to respectfully submit PHILRECA's reply on the questions raised and discussed during the virtual Consultative Meeting held last 18 April 2023 relative to the Energy Storage System (ESS).

We look forward to your kind consideration on the submitted comments of the Association. Thank you.

Respectfully yours,

  
**JANEENE D. PAY-COLINGAN**  
*Executive Director/General Manager*

  
**JOSE LITO T. YAP**  
*President*

***"United We Stand, We Stand United."***

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17 April 2022

**SUBJECT : VIRTUAL CONSULTATIVE MEETING ON ENERGY STORAGE SYSTEM**

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## **1. How should ESS be classified – generation, generation/consumer, sui generis?**

The Department of Energy (DOE) has a team of experts who specialize in matters related to the energy industry. As such, we defer to their expertise and wisdom in making decisions. They have a better understanding of the complexities involved and the potential impacts of various policies and regulations.

However, we do have concerns about the draft 2023 ESS Amendment Policy entitled "Prescribing the Policy for Energy Storage System in the Electric Power Industry." Specifically, we are seeking clarification on whether the classification of ESS technology as "generation" has been changed. This classification may discourage generation companies from investing in ESS due to limitations on market share. Therefore, clarifying the classification of ESS technology could encourage more investment in the sector.

It's essential to recognize that ESS deployment goes beyond the sphere of a generation because the technology is also ideal for transmission and distribution enhancement support, primarily in addressing the ancillary services needs of a power grid and its use in commercial and industrial applications. Therefore, it's crucial to consider each system's unique features and characteristics when determining its classification. By addressing these concerns and providing clarity on the classification of ESS technology, we can create a supportive environment for investment in this sector, which can ultimately help accelerate ESS technology deployment in the Philippines.

## **2. Who should be allowed to own and operate an ESS?**

In general, anyone who is legally allowed to own and operate a business should be allowed to own and operate an energy storage system, as long as they comply with all relevant laws and regulations.

The ownership and operation of energy storage systems should be subject to appropriate regulations and oversight to ensure that they are safe, reliable, and beneficial for society as a whole.

Under Section 5.3. of the Draft 2023 ESS Amendment Policy. End-users may own and operate an ESS.

*5.3. End-users. End-users may own and operate Generating plant + ESS for the purpose of managing their energy demands, subject to permitting requirements such as electrical permit from the local government unit, and operating requirements of the DU, provided that the capacity is within the applicable threshold in the case of distributed energy resource and net metering, and shall have the following responsibilities:*

*5.3.1. Provide the following information to the DU as part of the*

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*data/documentary requirements:*

- 5.3.1.1 Type of ESS;
- 5.3.1.2 Capacity and rate of charge and discharge;
- 5.3.1.3 Proposed application/purpose/operation; and
- 5.3.1.4 Other information as maybe required by the DU.

### **3. Will the ESS be considered in the computation of the market share limitation?**

The current policy by the Department of Energy (DOE) classifies Energy Storage System (ESS) as "generation" capacity, meaning it will be fully counted in the computation of market share limitations. This classification may deter generation companies from investing in ESS due to limitations on market share. Therefore, the Energy Regulatory Commission (ERC) needs to review the market share limit under Section 45 (a) of the EPIRA, which prohibits generation companies from owning more than 30% of the installed capacity per grid and 25% of installed capacity nationwide. This review is necessary to encourage investment in the ESS sector and accelerate its deployment in the Philippines.

### **4. In relation to no. 1, will owners of ESS be required to publicly offer pursuant to Section 43 (t) of the EPIRA?**

Section 43 (t) of the Electric Power Industry Reform Act (EPIRA) requires that generating companies with an installed capacity of at least 500 kilowatts must publicly offer at least 15% of their common shares to Filipino citizens or corporations at a price and on terms acceptable to the Energy Regulatory Commission (ERC).

Whether owners of Energy Storage Systems (ESS) will be required to publicly offer pursuant to Section 43 (t) of the EPIRA would depend on whether the ESS is classified as a generating company with an installed capacity of at least 500 kilowatts. If the ESS meets this classification, then the owner must comply with Section 43 (t) and publicly offer at least 15% of their common shares to Filipino citizens or corporations.

It's important to note, however, that the classification of ESS can be complex and may depend on various factors, such as their size and capacity, their intended use, and the specific regulations and policies in place. It is best to consult with the Department of Energy or a legal expert for guidance on whether a particular ESS would be subject to Section 43 (t) of the EPIRA.

### **5. Will an ESS be entitled to the incentives under the RE Act?**

Yes, an Energy Storage System (ESS) can be entitled to incentives under the Renewable Energy Act. In many cases, an ESS is considered an integral component of a renewable energy system and, therefore, eligible for incentives such as tax credits, grants, or other financial incentives that promote renewable energy development and adoption, as also stated under Section 9 of the Draft 2023 ESS Amendment Policy.

*SECTION 9. Incentives for Integrated RE Plant + ESS. Energy stored and dispatched from Integrated RE Plant + ESS shall be considered renewable energy and shall be eligible of the following incentives, including but not limited to:*



9.1. *The RE developer may avail the incentives under the RE Act for its Integrated RE Plant + ESS such as income tax holiday, duty-free importation, zero-rated VAT, and other applicable incentives; and*

9.2. *The Integrated RE Plant + ESS, as applicable, shall have preferential dispatch, but it can opt to be registered as scheduled generating unit*

## 6. Should an ESS pay twice for the use of lines (once for charging and once for discharging)?

No, an Energy Storage System (ESS) should not have to pay twice for using lines - once for charging and once for discharging. This is because an ESS is designed to store excess energy during low demand and discharge it when demand is high, which can help reduce the need for new transmission lines or upgrades to existing infrastructure. In many cases, regulations and policies governing the use of transmission lines recognize the unique role that energy storage plays in the energy system and provide specific provisions to ensure that ESS owners and operators are not subject to double charges for using transmission lines.

## 7. What are the key policy/regulatory, economic, technical, etc. barriers to the entry of ESS in the country?

- **Policy/regulatory barriers:** The Philippines has made progress in creating policies that promote renewable energy (RE) development, but there still needs to be more policies specific to energy storage. For instance, there is currently no policy or regulatory framework that incentivizes or mandates the deployment of ESS. This lack of clarity in policy and regulation can deter potential investors in ESS technology.
- **Economic barriers:** The cost of ESS technology is also a significant barrier to its adoption in the Philippines. ESS is still relatively expensive compared to conventional power generation sources, and no government incentives or subsidies are available to support ESS deployment. This means that developers and investors must bear the total cost of ESS installation, which can deter investment.
- **Technical barriers:** The technical challenges of integrating ESS into the grid can also be a barrier to entry. One challenge is the need for grid interconnection standards supporting ESS deployment. The current grid infrastructure in the Philippines still needs to be fully equipped to support the integration of ESS, and there are no specific technical standards in place for ESS interconnection. This creates uncertainties for investors and may also increase the cost of ESS installation.
- **Lack of data and expertise:** There currently needs to be more data on the benefits of energy storage in the Philippines. The lack of data and expertise can also be a significant barrier to ESS deployment. This limits the ability of investors and policymakers to assess the value of ESS and make informed decisions on its deployment.



## 8. What are the key policy considerations in the increased entry of ESS in the country?

To promote the increased entry of Energy Storage Systems (ESS) in the Philippines, the following key policy considerations could be considered:

- **Implement policies and regulations that incentivize and mandate the deployment of ESS:** The Philippine government could implement policies and regulations that encourage the development and deployment of ESS. For instance, it could introduce financial incentives or subsidies for ESS deployment or set energy storage targets to promote investment in this area.
- **Establish technical standards for grid interconnection of ESS:** The government could create technical standards for grid interconnection of ESS. The development of these standards could help to ensure the safe and effective integration of ESS into the grid, as well as provide clear guidelines for investors and developers.
- **Increase public awareness and education on ESS:** There is a need to increase public awareness and education on ESS to promote its adoption. This could be done through information campaigns and educational programs that highlight the benefits of ESS and its potential to support the country's energy goals.
- **Encourage collaboration between industry, academe, and government:** By working together, these groups can share knowledge and promote innovation, which can ultimately help to reduce the costs of ESS technology and accelerate its deployment.
- **Integrate ESS into the country's energy planning framework:** This includes developing a long-term strategy that includes the use of ESS as part of the national energy mix and setting goals and targets to support this strategy. This will require the government to work with the power industry to develop technical standards for grid interconnection and increase public awareness and education on ESS.

## 9. What are the key technical considerations in the increased entry of ESS in the country?

Several key technical considerations must be considered for the increased entry of ESS in the Philippines. These include:

- **Compatibility with existing grid infrastructure:** The ESS must be designed and installed to be compatible with the existing grid system to ensure proper integration with the energy system.
- **Capacity and scalability:** The ESS must be designed with sufficient capacity and scalability to meet the needs of the energy system and accommodate future growth in demand.



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- **Safety and environmental standards:** The ESS must comply with safety and environmental standards to ensure that they do not pose any risks to human health or the environment.
- **Performance and reliability:** The ESS must be designed and installed to ensure efficiency and reliability, to ensure they can provide the required services and operate effectively in a variety of weather conditions.
- **Maintenance and operation:** The ESS must be designed and installed to be maintainable and operational to ensure safe maintenance and continuous operation over their lifetime.
- **Cybersecurity:** The ESS must be designed and installed with adequate cybersecurity measures to protect against cyber threats and ensure the security of the energy system.
- **Interoperability:** The ESS must be designed with interoperability in mind to ensure that they can work seamlessly with other components of the energy system and enable effective communication between different systems.

Considering these technical considerations will be essential for the successful integration of ESS into the Philippines' energy system and the realization of the benefits that they can provide.