

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

Thirteenth Congress
First Regular Session

HOUSE BILL NO. 3204

**Introduced by Honorable Alipio Cirilo V. Badelles, Luis P. Bersamin, Jr.,
Edgar L. Valdez, Ernesto C. Pablo,
and Sunny R.A. Madamba**

EXPLANATORY NOTE

This bill seeks to grant fiscal autonomy to the Energy Regulatory Commission (ERC).

The ERC, created under R.A. 9136, otherwise known as the "Electric Power Industry Reform Act (EPIRA) of 2001," is an independent, quasi-judicial regulatory body tasked to promote competition, encourage market development, ensure customer choice and penalize abuse of market power in the restructured electric industry.

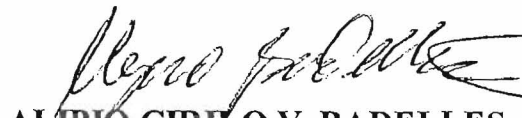
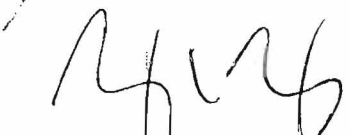
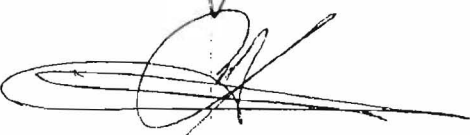
The vision of the EPIRA is to transform the electricity industry from a monopoly to a competitive electricity market and from a tariff-focused regulation to competition regulation. ERC aims to transform the electric industry into a dynamic market that provides quality, reliable, adequate, efficient and safe electricity services. These make ERC's functions complex and highly technical.

The challenged posed by the EPIRA to the electric industry in general, and ERC in particular, is nothing less than overwhelming. The commitments of ERC as embodied in the EPIRA can be achieved only if the Commission has enough fiscal and human resources. In fact, the ERC proposes to restructure and increase its existing manpower which is hopelessly inadequate to fulfill the mandates of EPIRA.

Despite the recent changes that have occurred in the Philippines and the dynamic transitional nature of the Philippines' energy market, the ERC, a newly independent and robust government entity is mandated to fulfill its mission as an effective model regulatory authority. Sadly, the Commission is under-resourced. With its best intentions, the resources committed to building regulatory capabilities appear to be short of what is required. With the multiple task of acting as regulator so that the utilities comply, consumers interest are safeguarded and the integrity of the regulatory framework protected, the regulator has gargantuan objectives to achieve but meager resources to meet them.

Cognizant of the fact that the government has limited resources, this bill envisions to grant fiscal autonomy to the ERC. With the passage of this bill into law, the twin-problem of sourcing of funds for the efficient management of the ERC and optional regulation of the electricity market will be addressed without unnecessarily burdening the government coffers. Operational expenses of the ERC shall be drawn from a special regulatory fee to be collected on or before the 15th day of each month from electric transmission and distribution utilities and industries directly connected to the National Power Corporation and/or other generators of electricity.

In view of the foregoing, and to establish a strong and purely independent regulatory body and system to ensure consumer protection and enhance the competitive operation of the electricity market, immediate approval of this bill is urgently requested.


ALIPIO CIRILO V. BADELLES
LUIS P. BERSAMIN, JR
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SUNNY R.A. MADAMBA

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AN ACT
GRANTING FISCAL AUTONOMY TO THE ENERGY REGULATORY
COMMISSION, AMENDING FOR THE PURPOSE THE ELECTRIC
POWER INDUSTRY REFORM ACT OF 2001

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

SECTION 1. Section 38 of Republic Act No. 9136, otherwise known as
the "Electric Power Industry Reform Act (EPIRA) of 2001" is hereby amended
to read as follows:

"Sec. 38. *Creation of the Energy Regulatory*
Commission. - There is hereby created an independent, quasi-
judicial regulatory body to be named the Energy Regulatory
Commission (ERC)[.] WHICH SHALL ENJOY FISCAL
AUTONOMY. x x x

SEC. 2. Section 42 of the same Act is hereby amended to read as follows:

"Sec. 42. *Budget of the ERC.* - The amount of One hundred fifty million pesos (P150,000,000.00) is hereby allocated from the existing budget of the ERB for the initial operation of the ERC. Any balance shall initially be sourced from the Office of the President of the Philippines. Thereafter, the [annual budget of the ERC shall be included in the regular or special appropriations.] OPERATIONAL EXPENSES OF THE ERC SHALL BE DRAWN FROM A SPECIAL REGULATORY FEE TO BE COLLECTED BY THE ERC ON OR BEFORE THE 15TH DAY OF EVERY MONTH FROM ELECTRIC TRANSMISSION AND DISTRIBUTION UTILITIES AND INDUSTRIES DIRECTLY CONNECTED WITH THE NPC AND/OR OTHER GENERATORS OF ELECTRICITY. THE SPECIAL REGULATORY FEE SHALL BE THE AMOUNT EQUIVALENT TO ONE CENTAVO (P0.01) PER KILOWATT-HOUR SOLD EACH MONTH. ALL SPECIAL REGULATORY FEES COLLECTED SHALL BE CREDITED TO ERC'S TRUST

ACCOUNT AND SHALL BE DEPOSITED IN AN AUTHORIZED GOVERNMENT DEPOSITORY BANK AS A TRUST LIABILITY AND SHALL BE DISBURSED BY THE ERC FOR PERSONAL SERVICES (PS), MAINTENANCE AND OTHER OPERATING EXPENSES (MOOE) AND CAPITAL OUTLAYS (CO). THE SPECIAL REGULATORY FEE SHALL BE SUBJECT TO ACCOUNTING AND AUDITING RULES AND REGULATIONS. PAYMENT OF SPECIAL REGULATORY FEE SHALL BE CONSIDERED A JUST AND REASONABLE OPERATING COST OF DOING BUSINESS."

SEC. 3. All laws, decrees, orders, rules and regulations, issuances, or parts thereof which are inconsistent with any of the provisions of this Act are hereby repealed, amended and modified accordingly.

SEC. 4. This Act shall take effect fifteen (15) days after its complete publication in at least two (2) national newspapers of general circulation in the Philippines.

Approved,