

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

FIFTEENTH CONGRESS
First Regular Session

House Bill No. **311**

Introduced by the **Honorable ROILO GOLEZ**

EXPLANATORY NOTE

System losses that are presently being authorized by law, particularly under Section 10 of Republic Act No. 7832 otherwise known as the "Anti-Electricity And Electric Transmission Lines/Materials Pilferage Act Of 1994", as amended by Section 43(F) of Republic Act No. 9136 or the "Electric Power Industry Reform Act of 2001", to be passed and charged to consumers include electricity lost due to pilferage (non-technical), design fault (technical) and administration inefficiencies and electric consumption for distribution and operation (administrative).

The system loss component constitutes a considerable portion of the electric bill being shouldered by consumers and at the rates presently existing which the law allows private electric distribution utilities and cooperatives, the consumers are disadvantaged when the said electric distributors can afford to suffer systems losses as high as 14% for electric cooperatives and 9.5% for private electric distribution utilities such as MERALCO as they are allowed by law to pass the same to the consumers, even when a substantial part of said system loss, may be avoidable with more diligence.

Thus, it becomes necessary to provide a measure to rationalize the recovery by electric power utilities by providing for a progressive reduction on the rate of such present system loss in order to discourage inefficiency in the way that these power operators and distributors deal with system loss and compelling them to exert all legal, administrative, technical efforts to systematically reduce the same.

The MERALCO and other similar private power utilities are to reduce the cap of rate being charged by them for system loss at 1% every year from the present 9.5% until it reaches 4.5%. On the other hand, the cap rate of system loss recoverable by electric cooperatives must likewise be reduced by 1% every year from the present 14% until it reaches 7% of its entirety.

For the following premises, immediate passage of this bill is earnestly sought.


ROILO GOLEZ

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FIFTEENTH CONGRESS
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House Bill No. **311**

Introduced by the Honorable ROILO GOLEZ

AN ACT ESTABLISHING REFORMS IN THE RECOVERY OF SYSTEM LOSS CHARGES BY PRIVATE COMPANIES AND RURAL ELECTRIC COOPERATIVES UNDER REPUBLIC ACT NO. 7832 OTHERWISE KNOWN AS THE "ANTI-ELECTRICITY AND ELECTRIC TRANSMISSION LINES/MATERIALS PILFERAGE ACT OF 1994", AS AMENDED BY SECTION 43(F) OF REPUBLIC ACT NO. 9136 OR THE "ELECTRIC POWER INDUSTRY REFORM ACT OF 2001", AND APPROPRIATING FUNDS THEREFOR

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

ARTICLE I
TITLE AND DECLARATION OF POLICY

SECTION 1. *Title of the Act* - This Act shall be known as the "Electric Power Distribution System Loss Recovery Rationalization Act of 2010".

SECTION 2. *Declaration of Policy* - It is hereby declared the policy of the State not only to promote efficiency in the delivery and distribution of electric power by private electric utilities and rural electric cooperatives but also to secure equity not only obedience to its authority and the Rule of Law but also to ensure equity in the payment therefor by electric power consumers. As such, there is a need to adopt measures to reduce the cap on the system loss rate in order to effectively discourage inefficiency in the distribution of electric power by compelling power operators to exert all legal, administrative, technical efforts to systematically reduce system loss

SECTION 3. *Progressive Reduction on the Cap of Recoverable Rate of System Loss* - The cap on the recoverable rate of system loss laid down under Section 10 of Republic Act No. 7842 otherwise known as "AN ACT PENALIZING THE PILFERAGE OF ELECTRICITY AND THEFT OF ELECTRIC POWER TRANSMISSION LINES/MATERIALS, RATIONALIZING SYSTEM LOSSES BY PHASING OUT PILFERAGE LOSSES AS A COMPONENT THEREOF, AND FOR OTHER PURPOSES", as amended by Section 43(f) of Republic Act No. 9136 or the "ELECTRIC POWER INDUSTRY REFORM ACT OF 2001", is hereby modified and subjected to a progressive reduction as follows:

(a) For private electric utilities – there shall be a reduction of One percent (1%) a year on the existing Nine and a half-percent (9.5%) cap on system loss rate until such cap reaches 4.5% in accordance with the following schedule:

(i) Eight and a half-percent (8 1/2%) at the end of the first year following the effectivity of this Act;

(ii) Seven and a half-percent (7 1/2%) at the end of the second year following the effectivity of this Act;

(iii) Six and a half-percent (6 1/2%) at the end of the third year following the effectivity of this Act;

(iv) Five and a half-percent (5 1/2%) at the end of the fourth year following the effectivity of this Act; and

(v) Four and a half-percent (4 1/2%) at the end of the fifth year following the effectivity of this Act

Provided, That the ENERGY REGULATORY COMMISSION is hereby authorized to determine at the end of the fifth year following the effectivity of this Act, and as often as necessary taking into account the viability of private electric utilities and the interest of the consumers, whether the caps herein or theretofore established shall be further reduced and accordingly fix the date of the effectivity of the new caps: Provided, further, That in the calculation of the system loss, power sold by the NATIONAL POWER CORPORATION or any other entity that supplies power directly to a consumer and not through the distribution system of the private electric utility shall not be counted even if the billing for the said power used is through the private electric utility.

The term "power sold by NATIONAL POWER CORPORATION or any other entity that supplies power directly to a consumer" as used in the preceding paragraph shall for purposes of this section be deemed to be a sale directly to the consumer if: (1) the point of metering by the NATIONAL POWER CORPORATION or any other utility is less than one thousand (1,000) meters from the consumer, or (2) the consumer's electric consumption is three percent (3%) or more of the total load consumption of all the customers of the utility, or (3) there is no other consumer connected to the distribution line of the utility which connects to the NATIONAL POWER CORPORATION or any other utility point of metering to the consumer meter.

(b) For rural electric cooperatives - there shall be a reduction of 1% a year on the present 14% cap on system loss rate until the same reaches 7% in accordance with the following schedule:

(i) Thirteen percent (13%) at the end of the first year following the effectivity of this Act;

(ii) Twelve percent (12%) at the end of the second year following the effectivity of this Act;

(iii) Eleven percent (11%) at the end of the third year following the effectivity of this Act;

- (iv) Ten percent (10%) at the end at the fourth year following the effectivity of this Act;
- (v) Nine percent (9%) at the end of the fifth year following the effectivity of this Act,
- (vi) Eight percent (8%) at the end of the sixth year following the effectivity of this Act, and
- (vii) Seven percent (7%) at the end of the seventh year following the effectivity of this Act.

Provided, That the ENERGY REGULATORY COMMISSION is hereby authorized to determine at the end of the seventh year following the effectivity of this Act, and as often as is necessary, taking into account the viability of rural electric cooperatives and the interest of the consumers, whether the caps herein or theretofore established shall be further reduced and accordingly fix the date of the effectivity of the new caps.

Provided, finally, that in any case nothing in this Act shall impair the authority of the ENERGY REGULATORY COMMISSION to reduce or phase out technical or design losses as a component of system losses.

Sections 4. Implementing Rules and Regulations. - The Department of Energy, in consultation with TRANSCO and the ENERGY REGULATORY COMMISSION, shall promulgate within sixty (60) days after the effectivity of this Act, the Implementing Rules and Regulations that shall be necessary to carry out and implement the substantive provisions of this Act.

Sections 5. Separability Clause. - If for any reason, any section or provision of this Act, or any portion thereof, or the application of such section, provision or portion thereof to any person, group or circumstance is declared invalid or unconstitutional, the remainder of this Act shall not be affected by such declaration and shall remain in force and effect.

Section 6. Amending / Repealing Clause. - All applicable laws or provisions thereof that are inconsistent with the provisions of this Act are hereby amended or repealed accordingly.

Section 7. Effectivity. - This Act shall take effect fifteen (15) days after its complete publication in the Official Gazette or at least two (2) national newspapers of general circulation.

APPROVED,