

**Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City**

**SIXTEENTH CONGRESS
Second Regular Session**

House Bill No. 4822



Introduced by RAYMOND DEMOCRITO C. MENDOZA
Representative, TUCP Party-List

EXPLANATORY NOTE

It has been more than thirteen years since the Electric Power Industry Reform Act (EPIRA) or R.A. No. 9136 was enacted by Congress in June 2001. Among the major reasons for passing the EPIRA were to stop the financial haemorrhage of the National Power Corporation (NAPOCOR) and the consequent financial burden to the national government; bring down the cost of electricity which at that time was already one of the highest in Asia and in the world; and address the uncertainties in the sufficiency and reliability of supply of electricity vis-a-vis the projected high electricity demand at that time.

We all recognize the importance of electricity to the development of an individual, a family, community, and the whole country. It is key to building a nation, to spur growth and progress, enhance the quality of life, and to increase the choices available to the citizenry.

After 13 years of implementation, the EPIRA is an apparent failure as the reasons cited above are still far from being realized. Access to affordable and reliable electricity has become more difficult or burdensome. Consumers have been continuously burdened by bearing almost all the costs in the supply of electricity while power companies are assured of generous profits. This is especially true under the new methodology known as performance-based rate-setting (PBR) adopted by the Energy Regulatory Commission (ERC) in 2006.

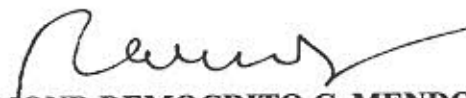
Power rates have increased at least twelve times since the implementation of the EPIRA. Had it not been stopped by the Supreme Court, the P4.15/kWh-increase that MERALCO wanted to collect from its customers in the period December 2013 to February 2014 would have been the hardest blow to electricity consumers in the history of the Philippine power industry. Despite the high court's Temporary Restraining Order, however, MERALCO continues to charge its customers with expensive generation rates.

At least 10-15% of the monthly income of our minimum wage earners goes to electricity. The high cost of electricity has made doing business in the Philippines less attractive to foreign investors, making our country uncompetitive vis-a-vis our neighbors in the region, and heavily affecting the manufacturing and the Business Process Outsourcing industries. Locators are moving to neighboring countries where electricity and other production costs are cheaper. To make matters worse, the country is now facing an energy crisis due to thin energy reserves. Rotating brownouts are being experienced not only in Mindanao and Visayas, but also in Luzon including Metro Manila which is the center of trade and commerce.

Meanwhile, the power industry is controlled by just a few families. What we have is a monopsony with the Pangilins, Lopezes, Sys, Aboitizes, Angs, and the Gokongweis dominating the power industry. This control by a few families curbs competition in the power industry. We need to encourage more players to counter cartelization and broaden ownership in the industry to have a true competition that could redound to lower rates.

There is no more time to waste. Let us overhaul EPIRA in order to realize its promise of quality, reliable, secure and affordable supply of electricity. Amending the EPIRA is inevitable. By doing this, let us emphasize the nature of the whole electricity sector as a public utility or an economic activity imbued with public interest, ensuring supply and maintaining national security, and protecting electricity consumers against unjust prices and abusive market behavior of power companies.

In view of the foregoing, the immediate passage of this bill is earnestly sought.


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AN ACT
AMENDING REPUBLIC ACT NO. 9143 OR THE ELECTRIC POWER INDUSTRY REFORM ACT (EPIRA) AND PROVIDING FOR NEEDED ADDITIONAL REFORMS IN THE ENERGY SECTOR FOR THE PROTECTION OF ELECTRICITY CONSUMERS AGAINST MARKET POWER ABUSE AND UNWARRANTED POWER RATES INCREASES, AND FOR OTHER PURPOSES.

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

1 **SECTION 1. Short Title.** - This Act shall be known as "An Act Amending the Electric Power
2 Industry Reform Act (EPIRA) and Providing for Needed Additional Reforms in the Energy
3 Sector for the Protection of Consumers."

4 **SECTION 2. Amendments.** - The following sections of Republic Act 9136 otherwise known as
5 the Electric Power Industry Reform Act (EPIRA) shall be amended as follows:

6 Section 4. Definition of Terms -

7 ...

8 (QQ) "PUBLIC UTILITY" IS DEFINED AS A BUSINESS OR SERVICE
9 ENGAGED IN REGULARLY SUPPLYING OR PROVIDING THE PUBLIC
10 WITH A BASIC COMMODITY OR SERVICE OF PUBLIC CONSEQUENCE,
11 OR INDISPENSABLE TO THE INTEREST OF THE GENERAL PUBLIC SUCH
12 AS WATER, ELECTRICITY, TRANSPORTATION, COMMUNICATIONS, AND
13 MEDIA SERVICES.

14 (RR) "Renewable Energy Resources"...

15 (SS) "Restructuring"...

- 1 (TT) "Retail Rate"...
- 2 (UU) "Small Power Utilities Group"...
- 3 (VV) "Stranded contract costs of NPC or distribution utility"...
- 4 (WW) "Stranded Debts of NPC"...
- 5 (XX) "Subtransmission Assets"...
- 6 (YY) "Supplier"...
- 7 (ZZ) "Supplier's Charge"...
- 8 (AAA) "Supply of Electricity"...
- 9 (BBB) "Transmission Charge"...
- 10 (CCC) "Transmission Development Plan"...
- 11 (DDD) "Transmission of Electricity"...
- 12 (EEE) "Universal Charge"...

13 **Section 6. Generation Sector.** - Generation of electric power shall be competitive and open.
14 **NONETHELESS, NOTHING IN THIS ACT SHALL PROHIBIT THE GOVERNMENT**
15 **FROM COMING IN WITH ADDITIONAL POWER CAPACITY WHEN IT IS**
16 **CONSISTENT WITH THE PUBLIC INTEREST, SUCH AS THERE IS AN IMMINENT**
17 **POWER SUPPLY DEFICIT THAT IS FORECASTED OR THERE IS A CLEAR NEED**
18 **TO BRING ABOUT A MORE COMPETITIVE MARKET. PROVIDED, THAT IT**
19 **SHALL ALSO BE SUBJECT TO THE REQUIREMENTS SET IN THIS LAW, THAT**
20 **SUCH POWER SHALL BE PURCHASED FROM THE GOVERNMENT THROUGH**
21 **FREELY ARRIVED POWER SUPPLY AGREEMENTS WITH THE DISTRIBUTION**
22 **SECTOR.**

23 ...

24 **[Any law to the contrary notwithstanding,]** Power generation **[shall not be]** IS considered
25 a public utility operation. For this purpose, any person or entity engaged or which shall
26 engage in power generation and supply of electricity shall **[not]** be required to secure a
27 **[national]** CONGRESSIONAL franchise.

28 **[Upon implementation of retail competition and open access,]** AS A PUBLIC UTILITY
29 **OPERATION,** the prices charged by a generation company for supply of electricity shall
30 **[not]** be subject to regulation by the ERC. **[except as otherwise provided in this Act.]**

31

1 PURSUANT TO THE OBJECTIVE OF LOWERING ELECTRICITY RATES TO
2 END-USERS, SALES OF GENERATED POWER BY GENERATION COMPANIES
3 SHALL BE VALUE ADDED TAX ZERO-RATED.
4
5 ...

6 **Section 28. De-monopolization and Shareholding Dispersal.** - In compliance with the
7 constitutional mandate for dispersal of ownership and de-monopolization of public utilities,
8 the holdings of persons, natural or juridical, including directors, officers, stockholders and
9 related interests, in a generation company, distribution utility and their respective holding
10 companies shall not exceed [twenty five (25%)] **FIFTEEN (15%)** percent of the voting
11 shares of stock. [unless the a utility or the company holding the shares or its controlling
12 stockholders are already listed in the Philippine Stock Exchange (PSE): Provided, That]
13 Controlling stockholders of [small] **ALL GENERATION AND** distribution utilities,
14 **EXCEPT FOR ELECTRIC COOPERATIVES**, are required to list in the PSE within five
15 (5) years from the enactment of this Act. [if they already own the stocks. New controlling
16 stockholders shall undertake such listing within five (5) years from the time they
17 acquire ownership and control. A small distribution company is one whose peak
18 demand is One hundred megawatts (100MW) or less.]

19 ...
20 **Section 29. Supply Sector.** - ...

21
22 [Any law to the contrary notwithstanding,] Supply of electricity to the contestable market
23 shall [not] be considered a public utility operation. For this purpose, any person or entity
24 which shall engage in the supply of electricity to the contestable market shall [not] be
25 required to secure a [national] **CONGRESSIONAL** franchise.
26

27 The prices to be charged by suppliers for the supply of electricity to the contestable market
28 shall [not] be subject to regulation by the ERC.
29

30
31 **Section 30. Wholesale Electricity Spot Market.** - ...
32

33 Jointly with the electric power industry participants **AND ELECTRICITY CONSUMERS**
34 **REPRESENTATIVES INCLUDING THE BUSINESS SECTOR, COMMERCIAL**
35 **SECTOR, AND THE RESIDENTIAL CONSUMERS**, the DOE shall formulate the
36 detailed rules for the wholesale electricity spot market. Said rules shall provide the
37 mechanism for determining the price of electricity not covered by bilateral contracts between
38 sellers and purchasers of electricity users. The price determination methodology contained in
39 said rules shall be subject to the approval of ERC. Said rules shall also reflect accepted
40 economic principles and provide a level playing field to all electric power industry
41 participants. The rules shall provide, among others, procedures for:
42 ...
43 ...

1 (c)...

2
3 **IN CASES WHERE THERE ARE INDICATIONS OF INFLATIONARY PRICE**
4 **BIDDING, ECONOMIC WITHHOLDING OR PHYSICAL WITHHOLDING OF**
5 **SUPPLY OF ELECTRICITY, AND OR MARKET ABUSE OR COLLUSION, AND**
6 **OTHER UNUSUAL MARKET BEHAVIOR INDICATING GAMING OF THE**
7 **MARKET, THE WESM SHALL BE SUSPENDED BY THE ENERGY**
8 **REGULATORY COMMISSION UNTIL THE INVESTIGATION IS COMPLETED.**
9 **THE ENERGY REGULATORY COMMISSION WILL BE MANDATED TO SET UP**
10 **THE DEFAULT PRICE COVERING THE CONTESTED PERIOD WHERE THE**
11 **GROUND FOR SUSPENDING THE WESM OCCURED.**
12

13 The wholesale electricity spot market shall be implemented by a market operator in
14 accordance with the wholesale electricity spot market rules. The market operator shall be an
15 autonomous group, to be constituted by the DOE, with equitable representation from electric
16 power industry participants **AND ELECTRICITY CONSUMERS, BUSINESS AND**
17 **LABOR**, initially under the administrative supervision of the TRANSCO. The market
18 operator shall undertake the preparatory work and initial operation of the wholesale
19 electricity spot market. Not later than one (1) year after the implementation of the wholesale
20 electricity spot market, an independent entity shall be formed and the functions, assets and
21 liabilities of the market operator shall be transferred to such entity with the joint endorsement
22 of the DOE, [and] the electric power industry participants, **AND ELECTRICITY**
23 **CONSUMERS REPRESENTATIVES INCLUDING FROM THE BUSINESS**
24 **SECTOR AND RESIDENTIAL CONSUMERS, AND THE LABOR SECTOR.**
25 Thereafter, the administrative supervision of the TRANSCO over such entity shall cease.
26

27 **Section. 31. Retail Competition and Open Access.** – Any law to the contrary
28 notwithstanding, retail competition and open access on distribution wires shall be
29 implemented [not later than three (3) years upon the effectivity of this Act,] **ONLY** when
30 [subject to] **ALL OF** the following conditions **ARE MET OR PRESENT:**
31

- 32 (a) Establishment of the wholesale electricity spot market;
33 (b) Approval of unbundled transmission and distribution wheeling charges;
34 (c) Initial implementation of the cross subsidy removal scheme;
35 (d) Privatization of at least seventy (70%) percent of the total capacity of generating assets of
36 NPC in Luzon and Visayas;
37 (e) Transfer of the management and control of at least seventy percent (70%) of the total
38 energy output of power plants under contract with NPC to the IPP Administrators.
39 **(F) THE INSTALLED CAPACITY HAS REACHED AT LEAST FIFTEEN**
40 **PERCENT (15%) OVER THE AVERAGE ACTUAL DEMAND FOR THE PAST**
41 **YEAR;**
42 **(G) TARIFF SIMULATIONS ARE UNDERTAKEN TO SHOW DEMONSTRABLE**
43 **BENEFIT TO THE CONTESTABLE MARKET AND NO ADVERSE EFFECT ON**
44 **THE CAPTIVE CUSTOMERS. FURTHER, THE DOE AND THE ERC SHALL**
45 **CONDUCT PUBLIC HEARINGS WITH THE CONSUMERS IN THE**

1 **CONTESTABLE MARKET, AS WELL AS WITH THE CAPTIVE RESIDENTIAL**
2 **AND COMMERCIAL CONSUMERS;**

3 **(H) RETAIL COMPETITION AND OPEN ACCESS MUST RESULT IN LOWER**
4 **RATES OR MUST BE REVENUE NEUTRAL TO THE CAPTIVE CONSUMERS.**

5 ...

6
7 **SEC. 32. NPC Stranded Debt and Contract Cost Recovery. – ...**

8
9 Stranded contract costs of NPC shall refer to the excess of the contracted cost of electricity
10 under eligible IPP contracts of NPC over the actual selling price of the contracted energy
11 output of such contracts in the market. Such contracts shall have been approved by the ERB
12 as of December 31, 2000 **AND HAVE BEEN REVIEWED BY AN INTER-AGENCY**
13 **IPP REVIEW COMMITTEE (IAC) WITH REPRESENTATION FROM LABOR,**
14 **BUSINESS, ANDDD CONSUMER SECTORS THAT WILL BE CREATED UNDER**
15 **THIS ACT. THE IPP CONTRACTS FOUND ONEROUS BY THE IAC OR WHERE**
16 **THE CONTRACTING IPP PARTY IS IN BREACH OF HIS OWN OBLIGATIONS**
17 **UNDER THE SAID CONTRACTS ARE INELIGIBLE FOR STRANDED**
18 **CONTRACT COST RECOVERY AND SUCH CONTRACTS ARE SUBJECT TO**
19 **ABROGATION OR RENEGOTIATION.**

20
21 The national government shall directly assume a portion of the financial obligations of NPC
22 in an amount not to exceed Two hundred billion Pesos (P200,000,000,000.00).

23
24 The ERC shall verify the reasonable amounts and determine the manner and duration for the
25 full recovery of stranded debt and stranded contract costs as defined herein: *Provided*, that
26 the duration for such recovery shall not be shorter than fifteen (15) years nor longer than
27 twenty-five (25) years. The ERC shall, at the end of the first year of the implementation of
28 stranded cost recovery and every year thereafter, conducts a review **OF THE**
29 **IMPLEMENTATION INCLUDING PERFORMANCE OF PARTIES INVOLVED IN**
30 **THE CONTRACT WHETHER THERE ARE BREACHES OF OBLIGATIONS** to
31 determine whether there is under-recovery or over-recovery and adjust (tune-up) the level of
32 stranded cost recovery charge accordingly. Any amount to be included for stranded cost
33 recovery shall be reflected as a separate item in the consumer billing statement.

34 **Section 38. Creation of the Energy Regulatory Commission. - ...**

35 The Commission shall be composed of a Chairman **[and]**, **[four (4)] SIX (6)** members to be
36 appointed by the President of the Philippines. The Chairman and the members of the
37 Commission shall be ...: *Provided*, That out of the **[four (4)] SIX (6)** members of the
38 Commission at least one (1) shall be a member of the Philippine Bar with at least ten (10)
39 years experience in the active practice of law, **[and]** one (1) shall be a certified public
40 accountant with at least ten (10) years experience in active practice, **ONE (1) FROM THE**
41 **CONSUMER SECTOR, AND ONE (1) FROM THE LABOR SECTOR.**

42 ...

43
44 All members of the Commission shall have a term of seven (7) years: *Provided*, that for the

1 first appointees, the Chairman shall hold office for seven (7) years, ~~[two (2)]~~ **THREE (3)**
2 members shall hold office for five (5) years and the other ~~[two (2)]~~ **THREE (3)** members
3 shall hold office for three (3) years: ...

4 ...

5
6 The presence of at least ~~[three (3)]~~ **FIVE (5)** members of the Commission shall constitute a
7 quorum and the majority vote of ~~[two (2)]~~ **THREE (3)** members in a meeting where a
8 quorum is present shall be necessary for the adoption of any rule, ruling, order, resolution,
9 decision **INCLUDING THE FIXING OF RATES AND TARIFFS** or other act of the
10 Commission in the exercise of its quasi-judicial functions: **[Provided, that in fixing rates**
11 **and tariffs of transmission, and distribution retail wheeling charges and tariffs of**
12 **franchise electric utilities and all electric power rates, an affirmative vote of three (3)**
13 **members shall be required.]**

14
15
16 **Section 41. Promotion of Consumer Interest.** The ERC shall handle consumer complaints
17 and ensure the adequate promotion of consumer interests. **A CONSUMER ASSISTANCE**
18 **OFFICE UNDER THE ERC SHALL BE CREATED TO ASSIST THE CONSUMERS**
19 **IN UNDERSTANDING THE TECHNICAL NATURE OF THE INDUSTRY, THE**
20 **PETITIONS FOR RATE ADJUSTMENTS AND TARIFFS AND ALL OTHER**
21 **PETITIONS SUBMITTED BEFORE THE ERC FOR DECISION. THE OFFICE**
22 **SHALL BE STAFFED BY LAWYERS, ECONOMISTS, ENGINEERS, FINANCIAL**
23 **ANALYSTS TO ASSIST THE CONSUMERS WHO MAY BRING COMPLAINTS OR**
24 **QUESTIONS REGARDING THE PERFORMANCE, TARIFFS OR PETITIONS OF**
25 **THE GENERATION COMPANIES, DISTRIBUTION UTILITIES, THE**
26 **TRANSMISSION COMPANY, AND THE COMPANIES OR ENTITIES IN THE**
27 **SUPPLY SECTOR.**

28
29 **Section 43. Functions of the ERC.** - The ERC shall promote competition, encourage market
30 development, ensure customer choice and discourage/penalize abuse of market power in the
31 restructured electricity industry. Towards this end, it shall be responsible for the following
32 key functions in the restructured industry:

33 ...

- 34
35 (f) In the public interest, establish and enforce a methodology for setting transmission and
36 distribution wheeling rates, **GENERATION RATES** and retail rates for the captive
37 market of a distribution utility, taking into account all relevant considerations, including
38 the efficiency or inefficiency of the regulated entities **AND THE NATURE OF THE**
39 **ENTIRE ELECTRICITY SECTOR AS A PUBLIC UTILITY OPERATION.** The
40 rates must be such as to allow the recovery of just and reasonable costs and a reasonable
41 return on rate base (RORB) to enable the entity to operate viably. **THE TARIFF TO BE**
42 **IMPOSED BY THE ERC SHOULD ALLOW A RETURN ON RATE BASE (RORB)**
43 **FOR THE POWER CORPORATIONS NOT TO EXCEED TWELVE PERCENT**
44 **(12%). THE POWER COMPANIES CAN ONLY RECOVER FOR COSTS**
45 **INCURRED WHERE THE COSTS MUST BE BOTH USEFUL AND NECESSARY**
46 **FOR THE OPERATION OF THE POWER CORPORATION OR UTILITY AND**

1 WHERE THE COSTS ARE BASED ON ACTUAL TIME OF USE OF THE
2 EQUIPMENT OR ASSET. CORPORATE INCOME TAX CANNOT BE CLAIMED
3 AS PART OF THE TARIFF. NEITHER CAN FUTURE EXPENDITURES NOR
4 FUTURE COSTS OF THE POWER UTILITY BE DEEMED RECOVERABLE.

5 The rate-setting methodology so adopted and applied must ensure a reasonable price of
6 electricity. The rates prescribed shall be non-discriminatory. ...
7

- 8 (t) Perform such other regulatory functions as are appropriate in order to ensure the
9 successful restructuring and modernization of the electric power industry, such as, but not
10 limited to, the rules and guidelines under which generation companies, distribution
11 utilities **[which are not publicly listed]** shall offer and sell to the public a portion not less
12 than fifteen percent (15%) of their common shares of stocks: **[Provided, however, That**
13 **generation companies, distribution utilities or their respective holding companies**
14 **that are already listed in the PSE are deemed in compliance.]** For existing companies
15 **THAT ARE NOT YET IN COMPLIANCE**, such public offering shall be implemented
16 not later than five (5) years from the effectivity of this Act. New companies shall
17 implement their respective public offerings not later than five (5) years from the issuance
18 of their certificate of compliance

19 **Section 45. Cross Ownership, Market Power Abuse and Anti-Competitive Behavior. - ...**

20 **CROSS OWNERSHIP BETWEEN AND AMONG THE POWER GENERATION,**
21 **DISTRIBUTION, TRANSMISSION, AND THE SUPPLY SECTOR IS ABSOLUTELY**
22 **PROHIBITED. THIS EXTENDS TO BOTH STOCKHOLDERS AND OFFICIALS OF**
23 **FIRMS IN ANY ONE SECTOR DISQUALIFYING THEM FROM OWNERSHIP IN**
24 **OTHER SECTORS IN THE ELECTRICITY SECTOR.**

25 **[No company or distribution utility or its respective subsidiary or affiliate or**
26 **stockholder or official shall be allowed to hold any interest, direct or indirect, in**
27 **TRANSCO or its concessionaire. Likewise, the TRANSCO, or its concessionaire or any**
28 **of its stockholders or officials or any of their relatives within the fourth civil degree of**
29 **consanguinity or affinity, shall not hold any interest, whether direct or indirect, in any**
30 **generation company or distribution utility. Except for government-appointed**
31 **representatives, no person who is an officer or director of TRANSCO or its**
32 **concessionaire shall be an officer or director of any generation company, distribution**
33 **utility or supplier.]**

34 To promote true market competition and prevent harmful monopoly and market power abuse,
35 the ERC shall enforce the following safeguards:
36

- 37 (a) No company or related group can own, operate or control more than **[thirty] TWENTY**
38 **percent [(30%)] (20%)** of the installed generating capacity of a grid and/or **[twenty-five]**
39 **FIFTEEN percent [(25%)] (15%)** of the national installed generating capacity. "Related
40 group" includes a person's business interests, including its subsidiaries, affiliates,

1 directors or officers or any of their relatives by consanguinity or affinity, legitimate or
2 common law, within the fourth civil degree;
3

- 4 (b) **[Distribution utilities may enter into bilateral]** ALL power supply contracts **AMONG**
5 **AND BETWEEN COMPANIES THAT ARE PRESENT IN THE RESPECTIVE**
6 **SECTORS: THE GENERATION, DISTRIBUTION, TRANSMISSION AND**
7 **SUPPLY SECTOR ARE** subject to **[review]** APPROVAL by the ERC. **[:** **Provided,**
8 **that such review shall only be required for distribution utilities whose markets have**
9 **not reached household demand level].** For the purpose of preventing market power
10 abuse, **[between associated firms engaged in generation and distribution, no]** A
11 distribution utility shall NOT be allowed **[to source from]** bilateral power supply
12 contracts **[more than fifty percent (50%) of its total demand from]** WITH an
13 associated firm engaged in generation **[but such limitation, however, shall not**
14 **prejudice contracts entered in to prior to the effectivity of this Act].** An associated
15 firm with respect to another entity refers to any person which, alone or together with any
16 other person, directly or indirectly, through one or more intermediaries, controls, is
17 controlled by, or is under common control with, such entity; and
18 ...
19

20 **Section 47. NPC Privatization..**
21 ...

- 22 (f) The Agus and the Pulangui complexes in Mindanao shall be excluded from among the
23 generation companies that will be **[initially]** privatized. Their ownership shall be transferred
24 to the PSALM Corp. and both shall continue to be operated by the NPC UNTIL SUCH
25 TIME THAT A SEPARATE GOVERNMENT-OWNED AND CONTROLLED
26 CORPORATION IS CREATED FOR PURPOSES OF MANAGING AND
27 OPERATING SAID COMPLEXES. **[Said complexes may be privatized not earlier than**
28 **ten (10) years from the effectivity of this Act, and except for Agus III, shall not be**
29 **subject to Build-Operate-Transfer (B-O-T), Build-Rehabilitate-Operate-Transfer (B-R-**
30 **O-T) and other variations thereof pursuant to Republic Act No. 6957, as amended by**
31 **Republic Act No. 7718. The privatization of Agus and Pulangui complexes shall be left**
32 **to the discretion of PSALM Corp. in consultation with Congress;]**
33

34 **SEC. 57. Conversion of Electric Cooperatives.** –Electric Cooperatives (ECs) are hereby
35 given the option to convert into either stock cooperative under the Cooperatives
36 Development Act or stock corporation under the Corporation Code. **THE NATIONAL**
37 **ELECTRIFICATION ADMINISTRATION (NEA), IN COOPERATION WITH THE**
38 **SECURITIES AND EXCHANGE COMMISSION AND THE COOPERATIVE**
39 **DEVELOPMENT AUTHORITY (CDA), UNDER THE GUIDANCE FROM THE**
40 **OFFICE OF THE PRESIDENT, SHALL UNDERTAKE A REFERENDUM TO**
41 **DETERMINE WHETHER THE ELECTRIC COOPERATIVES WISH TO**
42 **REGISTER AND BE CONVERTED TO A COOPERATIVE UNDER R.A. 9520**
43 **OTHERWISE KNOWN AS THE PHILIPPINE DEVELOPMENT COOPERATIVE**
44 **CODE OF 2008 OR AS A CORPORATION UNDER BATAS PAMBANSA BILANG 68**
45 **OTHERWISE KNOWN AS THE CORPORATION CODE OF THE PHILIPPINES.**
46 **FOR PURPOSES OF THIS SECTION, THE QUORUM REQUIREMENT IS**

1 **TWENTY PERCENT (20%) OF THE TOTAL NUMBER OF ALL BONAFIDE**
2 **MEMBERS IN GOOD STANDING WITHIN ONE (1) YEAR FROM ENACTMENT**
3 **OF THIS ACT. A MAJORITY VOTE BASED ON THIS QUORUM SHALL**
4 **CONSTITUTE A VALID AND BINDING DECISION BY THE ELECTRIC**
5 **COOPERATIVE.** Nothing contained in this Act shall deprive electric cooperatives of any
6 privilege or right granted to them under Presidential Decree No. 269, as amended, and other
7 existing laws.
8

9 **SEC. 60. *Debts of Electric Cooperatives.* – ...**
10

11 The ERC shall ensure a reduction in the rates of Electric Cooperatives commensurate with
12 the resulting savings due to the removal of the amortization payments of their loans. Within
13 five (5) years from the condonation of debt, any electric cooperative which shall transfer
14 ownership or control of its assets, franchise or operations thereof shall repay PSALM Corp.
15 the total debts including accrued interests thereon. **THE PSALM CORP. AND NEA,**
16 **ALONG WITH THE CONCERNED COOPERATIVES SHALL HEREBY BALANCE**
17 **THEIR BOOKS AND UNDERTAKE SUCH OTHER REMEDIAL MEASURES FOR**
18 **THE CONSUMERS OF ELECTRIC COOPERATIVES TO REFLECT THE**
19 **CONDONATION HEREIN THE RATES MANDATED.**
20

21 **SECTION 4. *Separability Clause.* –** If, for any reason, any section or provision of this Act is
22 declared unconstitutional or invalid, the other sections or provisions hereof which are not
23 affected shall continue to be in full force and effect.
24

25 **SECTION 5. *Repealing Clause.* –** All laws, decrees, executive orders, proclamations, rules and
26 regulations or parts thereof inconsistent herewith are hereby repealed.
27

28 **SECTION 6. *Effectivity Clause.* –** This Act shall take effect immediately upon its publication in
29 any newspaper of general circulation.
30

31
32 *Approved,*
33
34
35