

REPUBLIC OF THE PHILIPPINES
HOUSE OF REPRESENTATIVES
Quezon City

SEVENTEENTH CONGRESS
Third Regular Session

House Bill No. 8043



Introduced by **MAGDALO Party-List Representative**
HON. GARY C. ALEJANO

EXPLANATORY NOTE

A 2017 report of the Department of Energy (DOE) said that at P8.90 per kwh, Philippine electricity rates still ranks as the highest in Southeast Asia. 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. Consumers are disadvantaged when the said distributors can afford to suffer system 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, and technical efforts to systematically reduce the same.

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 1% every year from the present 14% until it reaches 7% of its entirety.

In view of the foregoing, immediate approval of this measure is earnestly sought.


REP. GARY C. ALEJANO

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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,

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

SEC. 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 and 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, and technical efforts to systematically reduce system loss.

SEC. 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 R.A. No. 7842, as amended, is hereby modified to read 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:**

1 **(1) EIGHT AND A HALF PERCENT (8 ½) AT THE END OF THE FIRST**
2 **YEAR FOLLOWING THE EFFECTIVITY OF THIS ACT;**

3
4 **(2) SEVEN AND A HALF PERCENT (7 ½) AT THE END OF THE SECOND**
5 **YEAR FOLLOWING THE EFFECTIVITY OF THIS ACT;**

6
7 **(3) SIX AND A HALF PERCENT (6 ½) AT THE END OF THE THIRD YEAR**
8 **FOLLOWING THE EFFECTIVITY OF THIS ACT;**

9
10 **(4) FIVE AND A HALF PERCENT (5 ½) AT THE END OF THE FOURTH**
11 **YEAR FOLLOWING THE EFFECTIVITY OF THIS ACT; AND**

12
13 **(5) FOUR AND A HALF PERCENT (4 ½) AT THE END OF THE FIFTH**
14 **YEAR FOLLOWING THE EFFECTIVITY OF THIS ACT.**

15
16 Provided, That the **ENERGY REGULATORY COMMISSION** is hereby
17 authorized at the end of the [fourth] **FIFTH** year following the effectivity of this Act, and as
18 often as necessary taking into account the viability of private electric utilities and the
19 interest of the consumers, whether the caps herein or theretofore established shall be
20 reduced further [which shall, in no case, be lower than nine percent (9%)] and accordingly
21 fix the date of the effectivity of the new caps: Provided, further, That in the calculation of
22 the system loss, power sold by the **NATIONAL POWER CORPORATION** or any other
23 entity that supplies power directly to a consumer and not through the distribution system of
24 the private electric utility shall not be counted even if the billing for the said power used is
25 through the private electric utility.

26
27 The term "power sold by **NATIONAL POWER CORPORATION** or any other
28 entity that supplies power directly to a consumer" as used in the preceding paragraph shall
29 for purposes of this section be deemed to be a sale directly to the consumer if: (1) the point
30 of metering by the **NATIONAL POWER CORPORATION** or any other utility is less
31 than one thousand (1,000) meters from the consumer, or (2) the consumer's electric
32 consumption is three percent (3%) or more of the total load consumption of all the
33 customers of the utility, or (3) there is no other consumer connected to the distribution line
34 of the utility which connects to the NPC or any other utility point of metering to the
35 consumer meter.

1 (b) For rural electric cooperatives.—**THERE SHALL BE A REDUCTION OF**
2 **1% A YEAR ON THE PRESENT 14% CAP ON SYSTEM LOSS RATE UNTIL THE**
3 **SAME REACHES 7% IN ACCORDANCE WITH THE FOLLOWING SCHEDULE:**
4

5 **(1) THIRTEEN PERCENT (13%) AT THE END OF THE FIRST YEAR**
6 **FOLLOWING THE EFFECTIVITY OF THIS ACT;**
7

8 **(2) TWELVE PERCENT (12%) AT THE END OF THE SECOND YEAR**
9 **FOLLOWING THE EFFECTIVITY OF THIS ACT;**
10

11 **(3) ELEVEN PERCENT (11%) AT THE END OF THE THIRD YEAR**
12 **FOLLOWING THE EFFECTIVITY OF THIS ACT;**
13

14 **(4) TEN PERCENT (10%) AT THE END OF THE FOURTH YEAR**
15 **FOLLOWING THE EFFECTIVITY OF THIS ACT;**
16

17 **(5) NINE PERCENT (9%) AT THE END OF THE FIFTH YEAR**
18 **FOLLOWING THE EFFECTIVITY OF THIS ACT;**
19

20 **(6) EIGHT PERCENT (8%) AT THE END OF THE SIXTH YEAR**
21 **FOLLOWING THE EFFECTIVITY OF THIS ACT; AND**
22

23 **(7) SEVEN PERCENT (7%) AT THE END OF THE SEVENTH YEAR**
24 **FOLLOWING THE EFFECTIVITY OF THIS ACT.**
25

26 Provided, That the **ENERGY REGULATORY COMMISSION** is hereby
27 authorized to determine at the end of the [fifth] **SEVENTH** year following the effectivity of
28 this Act, and as often as is necessary, taking into account the viability of rural electric
29 cooperatives and the interest of the consumers, whether the caps herein or theretofore
30 established shall be reduced further [which shall, in no case, be lower than nine percent
31 (9%)] and accordingly fix the date of the effectivity of the new caps.
32

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

1 **SEC. 4. *Implementing Rules and Regulations.***—The Department of Energy, in
2 consultation with TRANSCO and the ERC, shall promulgate within sixty (60) days after the
3 effectivity of this Act the rules and regulations that shall be necessary to carry out and implement
4 the substantive provisions of this Act.

5
6 **SEC. 5. *Separability Clause.***—If any provision of this Act shall be declared
7 unconstitutional or invalid, the other provisions of this Act not otherwise affected, shall remain in
8 full force and effect.

9
10 **SEC. 6. *Repealing Clause.***—All laws, decrees, orders, rules and regulations, and all other
11 issuances, or parts thereof, which are inconsistent with this Act are hereby repealed or modified
12 accordingly.

13
14 **SEC. 7. *Effectivity.***—This Act shall take effect fifteen (15) days following its publication in
15 at least two (2) newspapers of general circulation.

Approved,