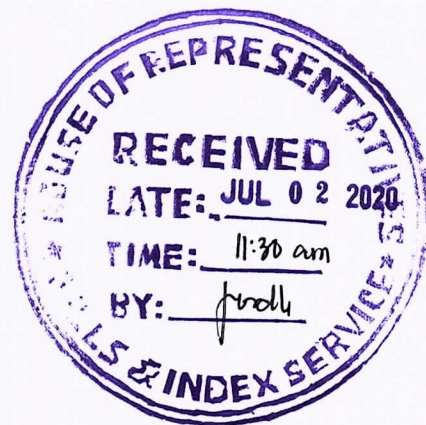




Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City



EIGHTEENTH CONGRESS

Second Regular Session

House Bill No. 7051

Introduced by

Philreca Party-List Representative Presley C. De Jesus,
APEC Party-List Representative Sergio C. Dagooc.
Ako Padayon Pilipino Party-List Representative Adriano A. Ebcas,
RECOBODA Party-List Representative Godofredo N. Guya

EXPLANATORY NOTE

In light of the Coronavirus pandemic, many electric cooperatives are experiencing low collection rates on power bills of consumers of electricity. The deferral of the bill payments is due to the increased rate of unemployment brought about by this pandemic. Hence, in the worst-case scenario, some electric cooperatives may fall under the category of “ailing cooperatives”.

Generally, when a cooperative is classified as *ailing*, the National Electrification Administration shall exercise its *step-in rights*, to take over the operations and management, in order to address an ailing EC's arrearages in power supply purchases, high systems loss, low collection efficiency, operating loss, among others.

This bill proposes that the step-in rights shall also be afforded to the aggrupation of electric cooperatives who are capable, technically and financially, to manage the ailing EC. This will not only avoid the possible added cost of acquisition by private entities to the electricity rate, but will also smoothen the transition of the

management from the ailing EC to the aggrupation of ECs, both being non-stock and non-profit entities.

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



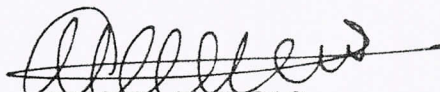
PRESLEY C. DE JESUS

PHILRECA Party-List Representative



SERGIO C. DAGOOOC

APEC Party-List Representative



ADRIANO A. EBCAS

Ako Padayon Pilipino Party-List Representative



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AN ACT
GRANTING THE AGGRUPATION OF ELECTRIC COOPERATIVES
A PREFERENTIAL RIGHT TO TAKE OVER UNDERPERFORMING
ELECTRIC COOPERATIVES, AMENDING FOR THIS PURPOSE
REPUBLIC ACT NO. 10531

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

Section 1. Title. – This Act shall be referred to as the "Electric Cooperatives Aggrupation Act of 2020."

Section 2. Declaration of Policy. – It is hereby declared the policy of the State to:

- a) Promote the sustainable development in the rural areas through rural electrification;
- b) Empower and strengthen the National Electrification Administration (NEA) to pursue the electrification program and bring electricity, through the electric

cooperatives as its implementing arm, to the countryside even in missionary or economically unviable areas;

- c) Empower and enable the electric cooperatives to cope with the changes brought about by the restructuring of the electric power industry pursuant to Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 by:
 - i) anchoring them firmly in the communities they serve and ensure they are closely regulated by their consumers who are as well Member-Owners;
 - ii) trusting the management and expertise of technically and financially viable electric cooperatives and the aggrupation thereof;
 - iii) infuse capitalization to any underperforming electric cooperative for the said purposes;
 - iv) maintaining a lower electricity rate in the area where an aggrupation of ECs takes over operation by virtue of their nature as non-stock and non-profit;

Section 3. *Preferential Right for Distribution Utilities* – Section 4-B on Step-In Rights in Cases of Ailing Cooperatives under Presidential Decree No 269, as amended by Republic Act No. 10531, is hereby further amended to read as follows:

“SEC. 4-B. Step-in Rights in Cases of Ailing Cooperatives. – The NEA shall immediately step-in and take over from its Board the operations of any ailing electric cooperative. Within a reasonable period after take-over, the NEA may convert the ailing cooperative to either a stock cooperative registered with the CDA or a stock corporation registered with the Securities and Exchange Commission (SEC).

The NEA shall in determining the propriety of the conversion, be guided by the ability of the member-consumers of said electric cooperative to pay for their shares in the stock cooperative or stock corporation.

The NEA may appoint or assign third persons to the Board of the electric cooperative until the NEA decides that the election of a new board of directors to manage the electric cooperative is necessary. The NEA may create a management team for the purpose.

The NEA shall, in the exercise of its step-in rights under this Act, strictly observe due process of law. The step-in rights may only be exercised by the NEA in case of failure of the electric cooperative to meet operational and

financial standards set by the NEA or in other analogous instances set forth in the IRR of this Act.

The NEA, in the exercise of its step-in rights, may designate any electric cooperative or the aggrupation of qualified electric cooperatives to take over the operation of ailing electric cooperatives for a certain period of time. Provided, that this is done in accordance with the with guidelines of accreditation of qualified individual electric cooperatives and aggrupation of electric cooperatives.

The NEA shall also grant to any electric cooperative or the aggrupation of ECs a preferential right to take over the distribution of electricity in the franchise area of a failed electric cooperative, before offering and soliciting the same to private distribution utilities and/or private investors. Provided, that said individual electric cooperative is technically and financially capable to take over the same.”

Section 4. *Congressional Oversight.* – The Joint Congressional Energy Commission shall exercise oversight powers over implementation of this Act. The NEA, DOE, and ERC shall submit annually to the Joint Congressional Energy Commission a thorough report on the implementation of this Act not later than 15 March of every year: Provided, That the report shall include identification of legislative gaps, if any, and recommended ways forward.

Section 5. *Implementing Rules and Regulations.* – The NEA, in consultation with the appropriate government agencies mentioned herein and electric power industry stakeholders, shall issue the implementing rules and regulations of this Act, including the issuance of the guidelines for accreditation provided under Section 3 hereof, within sixty (60) days upon its effectivity.

Section 6. *Amendatory Clause.* – This Act amends Section 43 of the Electric Power Industry Reform Act of 2001 insofar as the rights, obligations, and powers of the ERC are concerned. This Act also amends Section 21 of the IRR of R.A. 10531. Any other provision of law, presidential decree, executive order, or rules and regulations inconsistent with the provisions of this Act or with the rules and regulations issued pursuant thereto are hereby repealed or modified accordingly.

Section 7. *Separability Clause.* – If any portion or provision of this Act is declared unconstitutional, the remainder of this Act or any provisions not affected thereby shall remain in force and effect.

Section 8. *Repealing Clause.* – Any law, presidential decree or issuance, executive order, letter of instruction, rule or regulation inconsistent with the provisions of this Act is hereby repealed or modified accordingly.

Section 9. *Effectivity Clause.* – This Act shall take effect fifteen (15) days following its complete publication in the Official Gazette or a newspaper of general circulation.

Approved.