

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

**NINETEENTH CONGRESS**  
First Regular Session

**HOUSE BILL NO. 160**



**Introduced by Rep. Rodante D. Marcoleta and Rep. Caroline L. Tanchay**

### **EXPLANATORY NOTE**

In a recent comparative study,<sup>1</sup> the Philippines ranks as having the highest electrical rate per kilowatt-hour in the whole ASEAN region, more particularly residential users.

Several components account for our electricity billing. An average residential electricity billing includes System Loss and System Loss Tax of as much as 5.6% of the electrical bill per kilowatt-hour. Components of System Losses include technical losses (losses inherent in the physical delivery of electrical energy) and non-technical losses (not related to the physical characteristics and functions of the electrical system, and are caused primarily by human error, whether intentional or not – like pilferage).

Republic Act (RA) No. 7832 or the “Anti-electricity and Electric Transmission Lines/Materials Pilferage Act of 1994” rationalizes and allows the recovery of System Loss from consumers capped at 14% for Rural Electric Cooperatives and 9.5% for Private Electric Utilities at the end of the 5<sup>th</sup> year and 4<sup>th</sup> year, respectively, following the effectivity of said law. Since its enactment in 1994, the issue of pilferage was not addressed by electric utilities knowing that they could recover these losses from the consumers. There are also cases of metric errors and billing irregularities borne solely from the negligence of the electric utilities. Payment of non-technical system loss only awards inefficiency and waste.

Normal loss is a consequence of natural phenomena and is often referred to as technical systems loss. These losses occur when electricity travels long distances from power generation plants to the end-users. The longer the distance traveled, the higher will the system loss be. This is unavoidable as it is inherent in the manner in which electricity is transmitted and distributed. Undeniably, however, this normal loss is a fact

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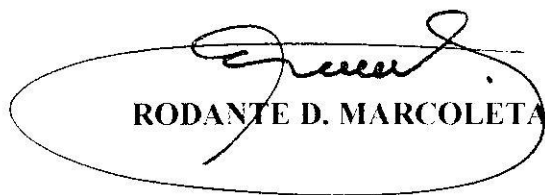
<sup>1</sup> Comparative Analysis of Power Prices in the Philippines and Selected ASEAN Countries  
- <https://www.eria.org/research/comparative-analysis-of-power-prices-in-the-philippines-and-selected-asean-countries/>

that has been recognized by electric utilities when they decided to venture in this field. Like any other business endeavor, normal losses are deemed legitimate business risks.

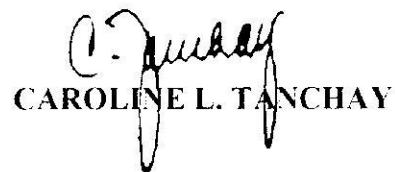
Passing too much burden of incurring these system losses to the consumers is not only unfair but also deters the power firms from prioritizing quality and reliable service knowing that they can readily pass the charges on to the consumers.

This bill seeks to entirely prohibit distribution utilities from passing on non-technical system losses to consumers and to mitigate the impact of technical system losses to the minimum. Limiting the phase-out of system losses to a smaller cap will not substantially impoverize the power firms but will be life-saving to the consuming public, especially the poor and marginalized families who can hardly cope up with their daily needs. We should do the most that we can possibly contribute to alleviate their predicament.

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



RODANTE D. MARCOLETA



CAROLINE L. TANCHAY

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**AN ACT**  
**LIMITING THE CAP OF PHASING OUT SYSTEM LOSSES TO CONSUMERS,**  
**AMENDING FOR THIS PURPOSE SECTION 10 OF REPUBLIC ACT NO. 7832**

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

**SECTION 1.** This Act shall be known as “*System Loss Limitation Act of 2022*”.

**SECTION 2.** *Declaration of Policy* – It shall be the policy of the State to provide equitable and affordable electricity to the consumers without compromising the economic viability of the energy stakeholders. It is imperative for the energy sector to ensure that there is a justifiable distribution of expenses as among the consuming public and the distribution utilities so as not to hamper the continuous and reliable electrical distribution.

**SECTION 3.** Section 10 of Republic Act No. 7832 is to be read as follows:

*“Rationalization of System Losses by Phasing out Pilferage Losses as a Component Thereof.* - There is hereby established a cap on the recoverable rate of system losses as follows:

“(a) For private electric utilities: **ONE PERCENT (1%) FROM THE EFFECTIVITY OF THIS ACT.**

- (i) ~~Fourteen and a half percent (14 1/2%) at the end of the first year following the effectivity of this Act; and~~
- (ii) ~~Thirteen and one-fourth percent (13 1/4%) at the end of the second year following the effectivity of this Act;~~
- (iii) ~~Eleven and three-fourth percent (11 3/4%) at the end of the third year following the effectivity of this Act;~~
- (iv) ~~Nine and a half percent (9 1/2%) at the end of the fourth year following the effectivity of this Act.~~

~~“Provided, That the ERB is hereby authorized to determine at the end of the fourth year following the effectivity of this Act, and as often as necessary taking into the account the viability of private electric utilities and the interest of the consumers, whether the caps herein or therefor established shall be reduced further which shall, in no case, be lower than nine percent (9%) and according 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 NPC 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 NPC 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 sale directly to the consumer if : (1) the point of metering by the NPC or any other utility is less than one thousand (1,000) meters from the consumer, or (2) the consumer’s electric consumption is three (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 NPC or any other utility point of metering to the consumer meter.~~

~~“(b) For rural electric cooperatives: **ONE PERCENT (1%) FROM THE EFFECTIVITY OF THIS ACT.**~~

- ~~(i) ——— Twenty-two percent (22%) at the end of the first year following the effectivity of this Act;~~
- ~~(ii) ——— Twenty percent (20%) at the end of the second year following the effectivity of this Act;~~
- ~~(iii) ——— Eighteen percent (18%) at the end of the third year following the effectivity of this Act;~~
- ~~(iv) ——— Sixteen percent (16%) at the end of the fourth year following the effectivity of this Act; and (v) Fourteen percent (14%) at the end of the fifth year following the effectivity of this Act.~~

~~“Provided, that the ERB is hereby authorized to determine at the end of the fifth 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 reduced further which shall in no case, be lower than nine percent (9%) 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 ERC to reduce or phase out technical or design losses as a component of system losses.”~~

**SECTION 4. *Implementing Rules and Regulations (IRR)*** - Within ninety (90) days from the effectivity of this Act, the Department of Energy (DOE), as the lead agency, together with the Energy Regulatory Commission (ERC), and other public and private stakeholders representing consumers and sectors affected by this Act, in consultation with other agencies involved in the implementation and monitoring thereof, shall promulgate the necessary implementing rules and regulations of this Act; *Provided*, That prior to its effectivity, the draft of the IRR shall be posted at the DOE website for at least one month, and shall be published in at least two newspapers of general circulation.

**SECTION 5. *Separability Clause*** - If, for any reason, any provision of this Act or any part thereof shall be held unconstitutional and invalid, the other parts or provisions of this Act, which are not affected thereby, shall remain in full force and effect.

**SECTION 6. *Repealing Clause*** - All laws, decrees, issuances, orders, letters of instructions, administrative orders, rules and regulations, or parts thereof, contrary to or inconsistent with any of the provisions of this Act are hereby repealed, amended, or modified accordingly.

**SECTION 7. *Effectivity*** - This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,