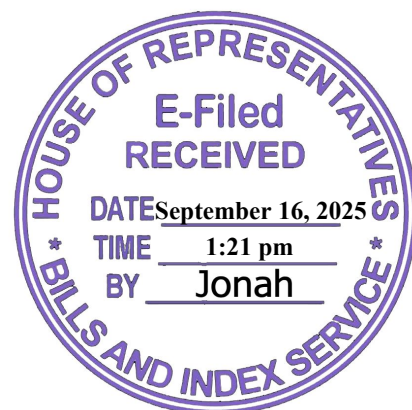


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. 4599



Introduced by: **REP. SALVADOR A. PLEYTO, SR.**

EXPLANATORY NOTE

The Electric Power Industry Reform Act of 2001 (Republic Act No. 9136) mandated the unbundling of the electric power industry to promote competition, ensure the quality, reliability, security, and affordability of the supply of electric power. A key component of this framework is the regulation of costs passed on to consumers.

Among these costs is "system loss," which includes both technical and non-technical losses. While the Energy Regulatory Commission (ERC) has set caps on recoverable system loss, these caps are subject to periodic review and do not have the institutional permanence of a law.

This bill seeks to institutionalize a clear and binding system loss cap for all electric distribution utilities (DUs) to provide greater stability and protection for electricity consumers. By legislating a defined cap, this measure aims to incentivize DUs to improve their operational efficiency, reduce pilferage and technical losses, and ultimately lower the cost of electricity for all Filipinos. The institutionalization of these rules will prevent arbitrary adjustments and ensure that consumers are not made to bear the burden of a distribution utility's inefficiencies.

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


REP. SALVADOR A. PLEYTO, SR.

Republic of the Philippines
HOUSE OF REPRESENTATIVES
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TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. 4599

Introduced by: **REP. SALVADOR A. PLEYTO, SR.**

**AN ACT INSTITUTIONALIZING THE RULES ON SYSTEM LOSS CAP FOR
ELECTRIC DISTRIBUTION UTILITIES, AMENDING FOR THE PURPOSE
REPUBLIC ACT NO. 9136, OTHERWISE KNOWN AS "THE ELECTRIC
POWER INDUSTRY REFORM ACT OF 2001 (EPIRA)", AND FOR OTHER
PURPOSES**

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

SECTION 1. *Short Title.* - This Act shall be known as the "System Loss
Cap Institutionalization Act."

SEC. 2. *Declaration of Policy.* - It is hereby declared the policy of the
State to ensure the delivery of quality, reliable, secure, and affordable
electric power to all consumers. The State recognizes that excessive system
losses represent a significant and avoidable cost to consumers and,
therefore, shall institutionalize a fixed and non-recoverable system loss cap
to promote efficiency and transparency within the electric power industry.

SEC. 3. *Definition of Terms.* As used in this Act:

- a. System Loss shall refer to the difference between net power
purchased or generated and total sales, expressed as a percentage of
net power purchased or generated. It includes both technical and non-
technical losses.
- b. Technical Losses shall refer to the power consumed by the equipment
and that is lost in the lines of the distribution system.

c. Non-Technical Losses shall refer to losses that are not inherent in the distribution system, such as electricity pilferage, meter tampering, and other fraud.

d. Distribution Utility (DU) shall refer to any electric cooperative, private distribution utility, or local government unit that operates a distribution system.

e. Energy Regulatory Commission (ERC) shall refer to the independent regulatory body created under Republic Act No. 9136.

SEC. 4. *Institutionalization of the System Loss Cap.* - The recoverable system loss for all Distribution Utilities shall be capped at a maximum of seven percent (7%). Any amount of system loss incurred by a Distribution Utility in excess of this cap shall not be recoverable from the consumers. The ERC shall enforce this cap without exception.

SEC. 5. *Monitoring and Compliance.* - The ERC shall be responsible for monitoring and ensuring strict compliance with the system loss cap. The ERC shall require all Distribution Utilities to submit regular reports on their system loss rates and shall conduct audits as necessary. The ERC may also utilize real-time data monitoring systems to track system loss.

SEC. 6. *Penalties for Non-Compliance.* - Any Distribution Utility that fails to comply with the provisions of this Act shall be subject to the following penalties, to be determined and imposed by the ERC:

- a. A fine of not less than Five Hundred Thousand Pesos (P500,000.00) but not more than Five Million Pesos (P5,000,000.00) per violation.
- b. Revocation of the Distribution Utility's certificate of public convenience and necessity after three (3) consecutive years of non-compliance, as determined by the ERC.

SEC. 7. *Review and Adjustment.* - The system loss cap of seven percent (7%) shall be subject to review by the ERC every ten (10) years. Any proposed adjustment must be based on a comprehensive study of technological advancements and best practices in the electric power industry and shall require a public hearing. Any adjustment shall not exceed a one percent (1%) increase or decrease from the current cap.

SEC. 8. *Implementing Rules and Regulations.* - Within ninety (90) days from the effectivity of this Act, the ERC, in consultation with the Department of Energy (DOE), and other relevant stakeholders, shall promulgate the necessary rules and regulations for the effective implementation of the provisions of this Act.

SEC. 9. *Separability Clause.* - If any provision of this Act is declared invalid or unconstitutional, the other provisions not affected thereby shall remain in full force and effect.

SEC. 10. *Repealing Clause.* - All laws, presidential decrees, executive orders, rules and regulations, or parts thereof inconsistent with the provisions of this Act are hereby repealed, amended, or modified accordingly.

SEC. 11. *Effectivity.* - This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,