



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



TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO 4705

Introduced by **Representative EDUARDO R. RAMA JR.**

EXPLANATORY NOTE

As the private electric utility serving the second biggest metropolitan area in the country, Visayan Electric Company, Inc. (Visayan Electric) has served as a pivotal force in the progress and development of its franchise area. This territory encompasses the cities of Cebu, Mandaue, Talisay, and Naga, alongside the municipalities of Liloan, Consolacion, Minglanilla, and San Fernando, all situated within the Metro Cebu region. Visayan Electric has consistently fulfilled a crucial role in energizing residential, commercial, and industrial sectors, thereby significantly fostering economic expansion and enhancing the quality of life for millions of Cebuanos.

This House Bill is for the renewal of the franchise granted to Visayan Electric pursuant to Republic Act No. 9339. Visayan Electric has demonstrated commendable performance, substantial contributions to local communities, and an unwavering commitment to the provision of reliable and efficient power services in the past years. Such franchise renewal is essential for the uninterrupted distribution of electricity within its designated service areas in Metro Cebu.

Since the enactment of Republic Act No. 9339, Visayan Electric has consistently exhibited a robust and commendable track record across several salient domains:

1. **Service Reliability and Efficiency:**

Reduced Interruption Rates: Visayan Electric has implemented advancements in mitigating power interruptions, striving for reduced System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI) metrics.

Visayan Electric's track record shows a dedication to minimizing service outages and facilitating prompt power restoration.

Proactive Maintenance and Upgrades: Visayan Electric has systematically allocated investments towards the maintenance and modernization of its distribution network. This encompasses critical infrastructure components such as substations, power lines, and associated facilities, all designed to ensure a stable and reliable electricity supply.

2. **Customer Satisfaction:**

Enhanced Customer Service Platforms: Visayan Electric can be reached by its customers across various channels, which include physical business centers, dedicated hotlines, and digital platforms. Initiatives such as the eBillTxt and MobileAP services have streamlined billing processes and information dissemination, consequently garnering favorable feedback from consumers due to their pronounced efficiency and user-friendliness.

3. **Infrastructure Development and Modernization:**

Substantial Capital Investments: Visayan Electric has strategically undertaken considerable capital expenditures aimed at expanding and modernizing its electrical distribution infrastructure. These investments accommodate the escalating demand for electricity within its rapidly developing franchise area, as well as for the fortification of the grid's resilience against the detrimental impacts of natural calamities. Visayan Electric has also adopted technology to optimize operational efficiency, minimize system losses, and furnish consumers with enhanced tools for effective energy management.

4. **Community Contributions and Corporate Social Responsibility (CSR):**

Environmental Stewardship: Visayan Electric has been a significant proponent of environmental conservation. This is particularly exemplified by its active engagement in the Buhisan Watershed Forest Reserve rehabilitation project (Cebu A-Park Project). This initiative, involving the adoption of 150 hectares within this critical watershed, not only contributes substantially to carbon sequestration and biodiversity preservation but also cultivates sustainable livelihood opportunities for local inhabitants, thereby ensuring a more stable water supply for Metro Cebu.

Empowerment through Education (School Rewiring Project): A foundational CSR program, the School Rewiring Project, inaugurated in 2010, has been pivotal in the comprehensive upgrade and rewiring of electrical systems in numerous public elementary and high schools throughout Visayan Electric's franchise area. Representing a substantial investment (exceeding P96 million for 153 schools and benefiting more than 5,400 classrooms), this project has rendered educational facilities significantly safer from fire and electrical hazards, consequently fostering an environment more conducive to learning for thousands of students and educators. Furthermore, Visayan Electric actively participates in the Department of Education's "Brigada Eskwela."

Disaster Response: During periods of natural disasters, Visayan Electric has demonstrated exemplary resilience and unwavering dedication in restoring electrical service to assist affected communities.

5. **Regulatory Compliance:**

Visayan Electric has consistently adhered to the regulatory frameworks and stipulations promulgated by the Energy Regulatory Commission (ERC) and other pertinent governmental bodies. This adherence ensures equitable and transparent operational practices.

The continued operation of Visayan Electric under a renewed franchise represents a strategic imperative for the sustained growth and overall welfare of Metro Cebu. Its established track record of dependable service provision, substantial investments in infrastructure, profound commitment to customer satisfaction, and impactful community development initiatives collectively underscore its considerable capability and dedication as a public utility. The proposed renewal will consequently empower Visayan Electric to further advance its long-term strategic development plans, enhance the overall resilience of the electrical grid, integrate cleaner energy solutions where technologically and economically feasible, and persist as a proactive partner in the socio-economic advancement of the Metro Cebu region.

In light of the aforementioned considerations, the undersigned proudly sponsors the renewal of the franchise of Visayan Electric Company, Inc. This measure serves as a definitive affirmation of Visayan Electric's indispensable role in national development and its enduring collaborative relationship with the communities it serves, ultimately guaranteeing an advancement in the business and communities within the Visayas region.



REP. EDUARDO R. RAMA JR.

2nd District, City of Cebu



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AN ACT
RENEWING FOR TWENTY-FIVE (25) YEARS THE FRANCHISE GRANTED TO
VISAYAN ELECTRIC COMPANY INC. UNDER REPUBLIC ACT NO. 9339, FOR
THE CONVEYANCE OF ELECTRIC POWER TO THE END-USERS IN THE
CITIES OF CEBU, MANDAUE, TALISAY, AND NAGA, AND THE
MUNICIPALITIES OF MINGLANILLA, SAN FERNANDO, CONSOLACION, AND
LILOAN, PROVINCE OF CEBU”

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

1 **SECTION 1. *Nature and Scope of Franchise.*** – Subject to the provisions of the
2 Constitution and applicable laws, rules and regulations, the franchise granted to Visayan Electric
3 Company Inc. (“Visayan Electric”), hereunder referred to as the Grantee, its successors or
4 assignees, under Republic Act No. 9339 to construct operate and maintain in the public interest
5 and commercial purposes a distribution system for the conveyance of electric power to the end-
6 users in the cities of Cebu, Mandaue, Talisay, and Naga, and the municipalities of Minglanilla, San
7 Fernando, Consolacion, and Liloan, province of Cebu, is hereby renewed.

8
9 As used in this Act, “distribution system” refers to the system of wires and associated
10 facilities including sub-transmission lines belonging to a franchised distribution utility extending
11 between the delivery point on the national transmission system or generating facility and the
12 metering point/facility of the end-user.

13
14 **SECTION 2. *Manner of Operation of Facilities.*** — All electric distribution facilities, lines,
15 and systems for electric services owned, constructed, operated, and maintained by the Grantee, its
16 successors, or assignees shall be operated and maintained at all times in a superior manner, and it
17 shall be the duty of the Grantee, its successors, or assignees, whenever required to do so by the
18 Energy Regulatory Commission (“ERC”) or its legal successor, or the Department of Energy

1 (“DOE”) or its legal successor, or any other government agency concerned, to modify, improve,
2 and change the facilities or systems in such a manner and to such extent as the progress in science
3 or technology and improvements or innovations in the electric power services may render
4 reasonable and proper.
5

6 Whenever practicable and for purposes of maintaining order, safety, and aesthetics along
7 the highways, roads, streets, alleys, or right-of-way, the Grantee may allow the use of free spaces
8 in its poles, facilities or right-of-way by interested parties upon the payment of reasonable
9 compensation to the Grantee, considering the costs incurred to accommodate and administer the
10 use of the Grantee's facilities by such parties. The ERC shall decide any dispute or disagreement
11 between the parties concerned.
12

13 **SECTION 3. *Authority of the Energy Regulatory Commission.*** — The Grantee shall
14 secure from the ERC or any other government agency having jurisdiction over the operation of
15 the herein Grantee, the necessary certificate of public convenience and necessity and other
16 appropriate permits and licenses for the construction and operation of its electric distribution
17 system.
18

19 **SECTION 4. *Excavation and Renovation Works.*** — For the purpose of erecting and
20 maintaining poles and other supports for the wires or other conductors, or for the purpose of
21 laying and maintaining underground wires, cables, pipes, or other conductors, the Grantee, its
22 successors, or assignees are authorized to make excavations or lay conduits in any of the public
23 places, highways, roads, streets, lines, alleys, avenues, sidewalks, or bridges of the said province
24 and cities and/or municipalities, subject to prior approval of the Department of Public Works and
25 Highways (“DPWH”) or the local government unit (“LGU”) concerned: *Provided, however,* That a
26 public place, highway, road, street, lane, alley, avenue, sidewalk, or bridge disturbed, altered, or
27 changed by reason of the erection of poles or other supports or the underground laying of wires,
28 other conductors or conduits, shall be repaired and/or replaced in workmanlike manner at the
29 expense of the Grantee, its successors, or assignees, in accordance with the standards set by the
30 DPWH or the relevant LGU concerned.
31

32 **SECTION 5. *Responsibility to the Public.*** — The Grantee shall supply electricity to its
33 captive market in urban and rural portions of its franchise area. In the interest of the public good
34 and as far as feasible and whenever required by the ERC, the Grantee shall modify, improve, or
35 change its facilities, poles, lines, systems, and equipment for the purpose of providing efficient and
36 reliable service and reasonable electricity costs. The Grantee shall only charge reasonable and just
37 power rates for its services to all types of consumers within its franchise area. The Grantee shall
38 not be liable for any taxes, refunds, fees, amounts, or penalties that are not assessed or imposed in
39 a timely manner. All new taxes and statutory fees, surcharges, or penalties shall apply prospectively.
40

41 The Grantee shall have the obligation to provide open and non-discriminatory access to its
42 distribution system and services for any end-user within its franchise area consistent with Republic
43 Act No. 9136, otherwise known as the “Electric Power Industry Reform Act of 2001”, as
44 amended. The Grantee shall not engage in any activity that will constitute an abuse of market
45 position or anti-competitive behavior as defined under Republic Act No. 10667 or the “Philippine
46 Competition Act” such as but not limited to, unfair trade practices, monopolistic schemes, and
47 other activities that will hinder competitiveness of businesses and industries.
48

49 **SECTION 6. *Rates for Services.*** — The retail rates to its captive market and charges for
50 the distribution of electric power by the Grantee to its end-user shall be regulated by and subject
51 to the approval of the ERC or its legal successor.
52

1 The Grantee shall identify and segregate in its electricity bill to the end-users the components
2 of the retail rate pursuant to Republic Act No. 9136, as amended. Such rates charged by the
3 Grantee to the end-users shall be made public and transparent. The Grantee shall likewise
4 implement Republic Act No. 10150, Republic Act No. 9994, and other relevant statutes as long as
5 they are in effect.

6
7 **SECTION 7. *Promotion of Consumer Interests.*** — The herein Grantee shall establish a
8 platform to handle consumer concerns and complaints and ensure adequate promotion of
9 consumer interests in accordance with applicable rules and regulations of the ERC, its successor,
10 and other relevant regulatory agencies. The Grantee shall act with dispatch on and resolve all
11 complaints brought before it within such period as may be determined by the ERC.

12
13 **SECTION 8. *Right of the Government.*** — A special right is hereby reserved to the
14 President of the Philippines in times of war, rebellion, public peril, calamity, emergency, disaster,
15 or disturbance of peace and order to temporarily take over and operate the distribution system of
16 the Grantee; temporarily suspend the operation of any station or facility in the interest of public
17 safety, security, and public welfare; or to authorize the temporary use and operation thereof by any
18 agency/department of the government upon the payment of due compensation to the Grantee,
19 its successors, or assignees, for the use of the said distribution system during the period when this
20 shall be operated.

21
22 **SECTION 9. *Tax Provisions.*** — In consideration of the franchise and rights hereby
23 granted, the Grantee, its successors or assigns, shall pay a franchise tax equivalent to three percent
24 (3%) of all gross distribution income derived by the Grantee from its operation under this
25 franchise. Said tax shall be in lieu of income tax and any and all taxes, duties, fees and charges of
26 any kind, nature or description levied, established or collected by any authority whatsoever, local
27 or national, on its franchise, rights, privileges, receipts, revenues and profits, and on properties
28 used in connection with its franchise, from which taxes, duties and charges, the Grantee is hereby
29 expressly exempted: Provided, That the Grantee, its successors or assigns, shall be liable to pay the
30 same taxes on their real estate, buildings, and personal property, exclusive of this franchise, as
31 other corporations are now or hereby may be required by law to pay: Provided, further, That the
32 Grantee shall not be liable for any taxes, fees, amounts, surcharges, or penalties that are not
33 assessed or imposed in a timely manner. All new taxes and statutory fees, surcharges, or penalties
34 shall apply prospectively.

35
36 **SECTION 10. *Right of Eminent Domain.*** — Subject to the limitations and procedures
37 prescribed by law, the Grantee is authorized to exercise the right of eminent domain insofar as it
38 may be reasonably necessary for the efficient establishment, improvement, upgrading,
39 rehabilitation, maintenance, and operation of services. The Grantee is authorized to install and
40 maintain its poles, wires, and other facilities over, under, and across public property, including
41 streets, highways, forest reserves, and other similar property of the Government of the Philippines,
42 its branches or any of its instrumentalities. The Grantee may acquire such private property
43 necessary for the realization of the purposes of this franchise: *Provided*, That proper expropriation
44 proceedings shall have been instituted and just compensation paid.

45
46 **SECTION 11. *Term of Franchise.*** — This franchise shall be for a term of twenty-five (25)
47 years from the expiration of the current franchise granted under Republic Act No. 9339. This
48 franchise shall be deemed *ipso facto* revoked in the event that the Grantee fails to operate
49 continuously for two (2) years.

50
51 **SECTION 12. *Warranty in Favor of National and Local Governments.*** — The Grantee
52 shall hold the national, provincial, city, and municipal governments of the Philippines harmless

1 from all claims, liabilities, demands, or actions arising from accidents that cause injury to persons
2 and/or damage to property during the construction, installation, operation, and maintenance of
3 the distribution system of the Grantee.

4
5 **SECTION 13. *Liability for Damages.*** — The Grantee shall be liable for any injury to
6 persons and/or damage to property arising from accidents by reason of any defective construction
7 under this franchise or any neglect or omission to keep its poles and wires in a safe condition.

8
9 **SECTION 14. *Sale, Lease, Transfer, Usufruct, etc.*** — The grantee shall not lease, transfer,
10 grant the usufruct of or sell this franchise or the rights and privileges acquired thereunder to any
11 person, firm, company, corporation or other commercial or legal entity, nor merge with any other
12 corporation or entity, nor shall the controlling interest of the grantee be transferred whether in
13 whole or in part, and whether simultaneously or contemporaneously, to any such person, firm,
14 company, corporation or entity without the prior approval of the Congress of the Philippines. Any
15 person or entity to which this franchise is sold, transferred or assigned, shall be subject to the same
16 conditions, terms, restrictions and limitations of this Act.

17
18 **SECTION 15. *Reportorial Requirement.*** — The Grantee shall submit an annual report of
19 its finances and operations to the Congress of the Philippines, through the Committee on
20 Legislative Franchises of the House of Representatives and the Committee on Public Services of
21 the Senate, on its compliance with the terms and conditions of the franchise and on its operations
22 on or before April 30 of every year after the effectivity of this Act.

23
24 **SECTION 16. *Fine.*** - Failure of the Grantee to submit the requisite annual report to
25 Congress shall be penalized by a fine of Five hundred pesos (P500.00) per working day of non-
26 compliance. The fine shall be collected by the ERC from the Grantee separate from the reportorial
27 penalties imposed by the ERC and the same shall be remitted to the Bureau of the Treasury.

28
29 **SECTION 17. *Equality Clause.*** — Any advantage, favor, privilege, exemption, or
30 immunity granted under existing franchises, or which may hereafter be granted upon prior review
31 and approval of Congress, shall become part of this franchise and shall be accorded immediately
32 and unconditionally to the herein Grantee: *Provided, however,* That the foregoing shall neither apply
33 to nor affect provisions concerning territorial coverage, the term, or the type of service authorized
34 by the franchise: *Provided, further,* That should the Grantee increase its territorial coverage through
35 sale, lease, transfer, grant of usufruct, or assignment of legislative franchises with prior
36 congressional approval, it shall also become part of this franchise and be accorded immediately
37 and unconditionally to the herein Grantee.

38
39 **SECTION 18. *Applicability Clause.*** — The Grantee shall comply with and be subject to
40 the provisions of the Commonwealth Act. No. 146, or the “Public Service Act”, as amended;
41 Republic Act No. 9136, as amended; Republic Act No. 9513, or the “Renewable Energy Act of
42 2008”; Republic Act No. 11361, or the “Anti-Obstruction of Power Lines Act”; and other
43 applicable laws.

44
45 **SECTION 19. *Repealability and Non-Exclusivity Clause.*** — This Franchise shall be
46 subject to amendment, alteration, or repeal by the Congress of the Philippines when the common
47 good so requires and shall not be interpreted as an exclusive grant of the privileges herein provided
48 for.

49
50 **SECTION 20. *Separability Clause.*** — If any of the sections or provisions of this Act is
51 held invalid, all other provisions not affected thereby shall remain valid.

1 **SECTION 21. *Repealing Clause.*** — All laws, decrees, orders, resolutions, instructions,
2 and rules and regulations or parts thereof, which are inconsistent herewith, are hereby deemed
3 repealed or modified accordingly.
4

5 **SECTION 22. *Effectivity.*** — This Act shall take effect immediately from the date of its
6 publication in the *Official Gazette* or in any newspaper of general circulation in the Philippines.
7

8
9 Approved,