

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

First Regular Session
TWENTIETH CONGRESS



House Bill No. 4891

Introduced by:
Rep. RACHEL MARGUERITE "CUTIE" DEL MAR

EXPLANATORY NOTE

Visayan Electric Company, Inc. (Visayan Electric), as the private electric utility serving the second-largest metropolitan area in the country, has been a pivotal force in the growth and development of its franchise area. This area covers the cities of Cebu, Mandaue, Talisay, and Naga, as well as the municipalities of Liloan, Consolacion, Minglanilla, and San Fernando, all situated within Metro Cebu. Over the years, Visayan Electric has played a vital role in energizing residential, commercial, and industrial sectors—significantly contributing to economic development and improving the quality of life for millions of Cebuanos.

This bill seeks to renew the franchise granted to Visayan Electric under Republic Act No. 9339. The company has demonstrated consistent, commendable performance and a steadfast commitment to delivering reliable and efficient power services. Renewal of its franchise is essential to ensure the continued and uninterrupted distribution of electricity in Metro Cebu.

Since the enactment of its existing franchise, Visayan Electric has maintained a strong track record across key performance areas:

1. Service Reliability and Efficiency

- **Reduced Interruption Rates:** Visayan Electric has continually worked to minimize service disruptions, improving System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI) metrics.
- **Proactive Maintenance and Upgrades:** The company has regularly invested in upgrading its distribution network, including substations, power lines, and related infrastructure, to ensure stable and reliable electricity supply.

2. Customer Satisfaction

- **Improved Service Access:** Customers can access services through various platforms, including business centers, hotlines, and digital services. Initiatives such as *eBillTxt* and *MobileAP* have streamlined billing and information services, earning positive feedback for their efficiency and user-friendliness.

3. Infrastructure Development and Modernization

- **Significant Capital Investments:** Visayan Electric has strategically invested in expanding and modernizing its power distribution infrastructure to meet growing demand. These efforts include implementing technologies to reduce system losses, optimize operations, and provide consumers with tools for effective energy management.
- **Grid Resilience:** The company has fortified its systems to better withstand natural calamities, ensuring quicker service restoration and minimal disruption during adverse events.

4. Community Contributions and Corporate Social Responsibility (CSR)

- **Environmental Stewardship:** Through the *Cebu A-Park Project*, Visayan Electric has adopted 150 hectares within the Buhisan Watershed Forest Reserve, contributing to carbon sequestration, biodiversity conservation, sustainable livelihoods, and water resource protection.
- **Education Support:** Since 2010, the *School Rewiring Project* has upgraded electrical systems in over 153 public schools, benefiting more than 5,400 classrooms and improving safety and learning environments. The company also actively participates in the Department of Education's *Brigada Eskwela* program.
- **Disaster Response:** Visayan Electric has consistently demonstrated its capacity for rapid response and recovery in the aftermath of natural disasters, prioritizing the restoration of power in affected communities.

5. Regulatory Compliance

- The company has maintained full compliance with the regulations of the Energy Regulatory Commission (ERC) and other government bodies, ensuring transparent and accountable operations.

The continued operation of Visayan Electric under a renewed franchise is vital to the sustained economic growth and social development of Metro Cebu. Its proven reliability, strategic investments, customer-focused initiatives, and meaningful community engagement collectively affirm its capability as a key public utility provider.

In view of the foregoing, the undersigned respectfully sponsors this bill renewing the franchise of Visayan Electric Company, Inc. This measure affirms the company's indispensable role in the region's progress and underscores the importance of enabling it to pursue long-term plans, integrate cleaner energy sources, and strengthen its partnership with the communities it serves—for the benefit of the Visayas and the nation as a whole.


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REP. RACHEL MARGUERITE "CUTIE" DEL MAR

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 House of Representatives of the Philippines in Congress assembled:

SECTION 1. Nature and Scope of Franchise. – Subject to the provisions of the Constitution and applicable laws, rules and regulations, the franchise granted to Visayan Electric Company Inc. ("Visayan Electric"), hereunder referred to as the Grantee, its successors or assignees, under Republic Act No. 9339 to construct operate and maintain in the public interest and commercial purposes a distribution system 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, is hereby renewed.

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

SEC. 2. Manner of Operation of Facilities. — All electric distribution facilities, lines, and systems for electric services owned, constructed,

operated, and maintained by the Grantee, its successors, or assignees shall be operated and maintained at all times in a superior manner, and it shall be the duty of the Grantee, its successors, or assignees, whenever required to do so by the Energy Regulatory Commission ("ERC") or its legal successor, or the Department of Energy ("DOE") or its legal successor, or any other government agency concerned, to modify, improve, and change the facilities or systems in such a manner and to such extent as the progress in science or technology and improvements or innovations in the electric power services may render reasonable and proper.

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

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

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

SEC. 5. Responsibility to the Public. — The Grantee shall supply electricity to its captive market in urban and rural portions of its franchise area. In the interest of the public good and as far as feasible and whenever required by the ERC, the Grantee shall modify, improve, or change its facilities, poles, lines, systems, and equipment for the purpose of providing

efficient and reliable service and reasonable electricity costs. The Grantee shall only charge reasonable and just power rates for its services to all types of consumers within its franchise area. The Grantee shall not be liable for any taxes, refunds, fees, amounts, or penalties that are not assessed or imposed in a timely manner. All new taxes and statutory fees, surcharges, or penalties shall apply prospectively.

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

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

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

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

SEC. 8. Right of the Government. — A special right is hereby reserved to the President of the Philippines in times of war, rebellion, public peril, calamity, emergency, disaster, or disturbance of peace and order to temporarily take over and operate the distribution system of the Grantee; temporarily suspend the operation of any station or facility in the interest of public safety, security, and public welfare; or to authorize the temporary use and operation thereof by any agency/department of the government upon the payment of due compensation to the Grantee, its successors, or

assignees, for the use of the said distribution system during the period when this shall be operated.

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

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

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

SEC. 12. Warranty in Favor of National and Local Governments. — The Grantee shall hold the national, provincial, city, and municipal governments of the Philippines harmless from all claims, liabilities, demands, or actions arising from accidents that cause injury to persons and/or damage to property during the construction, installation, operation, and maintenance of the distribution system of the Grantee.

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

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

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

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

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

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

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

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

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

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

Approved,