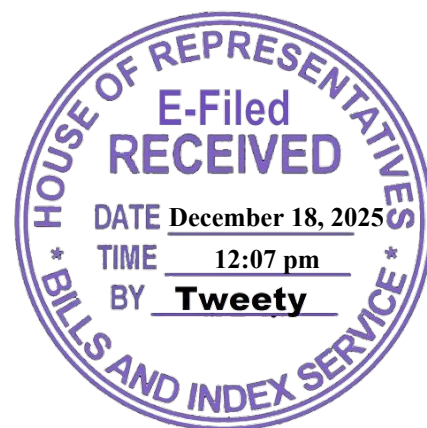


TWENTIETH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)



HOUSE OF REPRESENTATIVES

HOUSE BILL No. 6976

**Introduced by REPRESENTATIVES LANI MERCADO-REVILLA,
BRYAN B. REVILLA AND RAMON JOLO B. REVILLA III**

AN ACT

PROHIBITING PRIVATE ELECTRIC UTILITIES FROM COLLECTING SYSTEM LOSSES FROM THE CONSUMERS AND REDUCING THE CAP OF RECOVERABLE SYSTEM LOSSES OF RURAL ELECTRIC COOPERATIVES TO A MAXIMUM OF FIVE PERCENT (5%), AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 7832, AS AMENDED AND FOR OTHER PURPOSES

EXPLANATORY NOTE

One item in our electricity bill that raises the eyebrow of consumers is the system loss charge, because it is unclear as to why there is an extra charge over and above what was actually consumed, as can be gleaned from one's electric meter. System loss is the electricity that is utilized as power travels from the generation plant, through the grid, towards our homes. So why should the end-user pay for system loss? It can be viewed as a form of 'delivery charge' which can make the expense quite palatable. However, the travel of power through the grid is but the technical aspect of system loss, and its recovery is capped now at 8.5% as determined by the Energy Regulatory Commission (ERC).

Apart from technical system loss, the power loss by Meralco and rural electric cooperatives from pilferage and other illegal acts are also passed on to the consumers. This time there is no explaining why end-users should pay this charge except that Republic Act No. 7832 allowed this to happen.

System loss from unbilled power caused by pilferage and other illegal acts are called non-technical electricity losses. This portion comes from theft, pilferage, meter tampering, and illegal tapping. Meralco can't bill for this electricity, but it's still part of the **total energy supplied**, so the cost is spread across legitimate customers.¹

¹ <https://solarnrg.ph/blog/the-truth-behind-meralco-system-loss-charges-and-why-youre-paying-for-it/>

Allowing these to be charged to consumers by operation of law is said to help maintain grid stability and fair value of distribution cost, in favor of business owner and at the expense of the people. Republic Act 7832, or the law penalizing electricity theft, allows power utilities to pass on the system loss across all customers. This is tantamount to forcing their clients to pay for services that they have not received. Clients are also being made to suffer the consequences of the inefficiency of the electric utility firms.

Furthermore, system loss is being subjected to Value Added Tax, which is adding salt to injury.

Despite the collection of system loss charges since the law was implemented in 1995, for about thirty years now, the power distributors have not improved on efficiency of power distribution to their customers and have not made measures to deter illegal pilferage. The law never intended for system loss collection to be a permanent burden on the Filipino consumers.

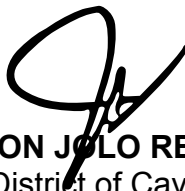
In view of the foregoing, immediate passage of this measure is earnestly requested.



REP. LANI MERCADO-REVILLA
2nd District of Cavite



REP. BRYAN B. REVILLA
AGIMAT Partylist



REP. RAMON JOLO REVILLA III
1st District of Cavite

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A MAXIMUM OF FIVE PERCENT (5%), AMENDING FOR THE PURPOSE
REPUBLIC ACT NO. 7832, AS AMENDED AND FOR OTHER PURPOSES**

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

Section 1. Private Electric Utilities are hereby prohibited from charging or passing-on their system losses to their consumers.

Section 2. Rural Electric Cooperatives are hereby allowed to pass-on to the consumers systems losses, limited only to design fault and technical loss as defined by the Energy Regulatory Board (ERC), which in no case shall be more than five percent (5%). A systems loss charge shall be determined annually based on the previous year's costs and revenues of the distribution utilities, which shall be verified by the ERC to ensure that only legitimate costs are borne by the consumers.

For purposes of this Act, *system loss* shall mean the difference between kilowatt-hour (kWh) purchased and/or generated and kWh sold by a rural electric cooperative, expressed as a percentage of kWh purchased and/or generated excluding costs due to pilferage, administration inefficiencies and administrative cost.

Section 3. System loss charge collection shall be utilized by Rural electric cooperatives for upgrades of their power lines and for installation of measures to minimize technical and non-technical system losses, with the end in view of periodically decreasing the cap until the same can be totally removed by the ERC.

Section. 4. Exemption from Value-Added Tax (VAT) - The imposition of system loss in the consumer's bill, although forming part of a rural cooperatives operating expenses, shall not be made subject to twelve percent (12%) Value-Added Tax (VAT) as provided in Section 108 of Republic Act No. 9337.

Section 5. Repealing Clause - All laws, acts, decrees, executive orders, issuances, and rules and regulations or parts thereof which are contrary to and inconsistent with any provisions of this Act are hereby repealed, amended, or modified accordingly.

Section 6. Separability Clause - If any provision of this Act is subsequently declared unconstitutional, the validity of the remaining provisions hereof shall remain in full force and effect.

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

Approved,