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

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. **9106**

Introduced by Representatives **NATHANIEL "Atty. Nat" M. ODUCADO** and **CHARISSE ANNE C. HERNANDEZ**

EXPLANATORY NOTE

Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA), was enacted to restructure the electric power industry, promote competition, and ensure transparency in electricity pricing through the unbundling of rates. While EPIRA succeeded in making electricity charges more transparent, it nonetheless allowed the continued recovery of system losses from consumers as a separate line item in their electricity bills.

At present, system-loss charges represent a significant and continuing burden on Filipino consumers. As PIDS notes in *"The Philippine Electric Power Industry under EPIRA"* (Policy Note 2018-19), transmission and distribution losses in the Philippines declined from about 17 percent of total power output in 1995 to roughly 9 percent in 2014, indicating that losses are now broadly in the single-digit range. However, data on electric cooperatives show that the average system-loss rate hovers around 11–12 percent, with some ECs reaching over 30 percent or even 37 percent, driven by electricity pilferage, aging infrastructure, and operational inefficiencies. These losses are passed on to consumers, effectively requiring households and businesses to shoulder costs that are largely within the control of distribution utilities and electric cooperatives.

The financial impact of this practice is substantial. The World Bank *Electric Cooperative System Loss Reduction Project* (P066532) reveals that for 18 participating electric cooperatives with total annual energy purchases or generation of 2,427 gigawatt-hours (GWh), a reduction of approximately 3.3 percent in system losses is expected to yield 80 GWh of avoided system losses per year. This corresponds to a non-trivial volume of electricity that would otherwise be lost in the distribution network, underscoring that even modest percentage-point reductions in system losses can translate into hundreds of millions of kilowatt-hours of avoided losses and, in turn, substantial cost-savings for utilities and consumers over time. Well-managed utilities, meanwhile, are able to maintain losses within the 5–8 percent range, confirming that much of the loss burden is avoidable and can be reduced through targeted investments and institutional reforms.

In this context, the continued practice of passing a system-loss costs directly to consumers runs counter to the principles of efficiency, accountability, and fairness. While EPIRA introduced transparency, it did not fully address the inequity of charging consumers

[1]Philippine Institute for Development Studies (2018). The Philippine electric power industry under EPIRA. Available at https://pidswebs.pids.gov.ph/CDN/PUBLICATIONS/pidspn1819.pdf.

for inefficiencies in the distribution system, and the PIDS-2018-19 and World Bank-P066532 data show that those inefficiencies are quantifiable and reducible. This measure seeks to correct that imbalance.

Moreover, this bill proposes to amend Sections 40, 43(f), and 60 of Republic Act No. 9136, as well as Section 10 of Republic Act No. 7832, to prohibit the recovery of system losses as a separate charge to consumers. Instead, system losses shall be treated as part of the operating costs of distribution utilities and electric cooperatives, subject to efficiency and loss-reduction standards to be determined and enforced by the Energy Regulatory Commission, in line with the PIDS-recommended direction of reducing system losses toward single-digit levels and the World Bank-supported emphasis on achieving "significant and sustained energy efficiency improvements" in distribution systems through targeted loss-reduction programs.

By shifting the responsibility for managing system losses back to utilities where it properly belongs, this measure encourages operational discipline, promotes investment in modern and resilient infrastructure, and strengthens accountability mechanisms within the power sector. At the same time, it protects consumers from bearing the financial burden of inefficiencies and losses that can and should be addressed by those tasked with delivering this essential service.

Ultimately, this proposed reform advances the State's commitment to ensure reliable, affordable, and equitable access to electricity for all Filipinos. It reinforces the principle that while consumers must pay for the electricity they use, they should not be made to pay for inefficiencies that can and should be addressed by those tasked with delivering this essential service.

In view of the foregoing, the immediate passage of this bill is earnestly sought.

REP. NATHANIEL "ATTY. NAT" M. ODUCADO
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REP. CHARISSE ANNE C. HERNANDEZ
Lone District, City of Calamba

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Introduced by Representatives **NATHANIEL "Atty. Nat" M. ODUCADO** and **CHARISSE ANNE C. HERNANDEZ**

AN ACT AMENDING SECTIONS 40, 43(f) AND 60 OF REPUBLIC ACT NO. 9136, OTHERWISE KNOWN AS THE "ELECTRIC POWER INDUSTRY REFORM ACT OF 2001 OR EPIRA", TO PROHIBIT THE RECOVERY OF SYSTEM LOSSES FROM CONSUMERS AND FOR OTHER PURPOSES

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

SECTION 1. Section 40 of the EPIRA is hereby amended to read as follows:

"**UNDER THE DISTRIBUTION RATE STRUCTURE, THE COMPONENTS OF THE DISTRIBUTION CHARGE MAY INCLUDE, BUT NOT BE LIMITED TO, RETURN ON CAPITAL, OPERATING AND MAINTENANCE COSTS, AND OTHER CHARGES AUTHORIZED BY LAW: PROVIDED, THAT SYSTEMS LOSSES SHALL NOT BE INCLUDED AS RECOVERABLE OR SEPARATELY BILLABLE COMPONENT FROM CONSUMERS; THE SAME SHALL BE TREATED AS PART OF THE OPERATING COSTS OF THE DISTRIBUTION UTILITY AND SHALL BE SUBJECT TO THE ERC-IMPOSED EFFICIENCY AND LOSS-REDUCTION STANDARDS.**"

SEC. 2. Section 43 (f) of the EPIRA is hereby amended to read as follows:

"**(f) THE POWER TO FIX CHARGES FOR DISTRIBUTION UTILITIES, TRANSMISSION UTILITIES AND SUPPLIERS, SUBJECT TO SUCH RULES AND REGULATIONS AS THE ERC MAY PROMULGATE: PROVIDED, THAT NO DISTRIBUTION UTILITY SHALL BE ALLOWED TO RECOVER SYSTEM LOSSES AS A SEPARATE CHARGE FROM CONSUMERS; SYSTEM LOSSES SHALL BE TREATED AS AN OPERATING COST OF THE DISTRIBUTION UTILITY AND SHALL BE MANAGED WITHIN THE ERC-APPROVED EFFICIENCY AND LOSS-REDUCTION FRAMEWORK.**"

SEC. 3. Section 60 of the EPIRA is hereby amended to read as follows:

“**ELECTRIC COOPERATIVES THAT ARE MEMBERS OF THE DISTRIBUTION UTILITIES’ SYSTEM SHALL MEET THE LOSS-REDUCTION OF TECHNICAL AND NON-TECHNICAL LOSSES, AND SHALL BEAR THE SAME AS PART OF THEIR OPERATING COSTS: PROVIDED, THAT SUCH LOSSES SHALL NOT BE PASSED ON AS A SEPARATE CHARGE TO CONSUMERS. COMPLIANCE WITH THESE TARGETS SHALL BE REFLECTED IN THE ELECTRIC COOPERATIVES’ PERFORMANCE-IMPROVEMENT PLANS AND SHALL BE SUBJECT TO THE ERC’S MONITORING AND ENFORCEMENT MECHANISMS.**”

SEC. 4. Section 10 of the Anti-Pilferage Act is hereby amended to read as follows:

“**PROVIDED, THAT NO CAP ON RECOVERABLE SYSTEM LOSSES UNDER THIS SECTION SHALL BE CONSTRUED AS AUTHORIZING DISTRIBUTION UTILITIES OR ELECTRIC COOPERATIVES TO PASS SYSTEM-LOSS COSTS AS A SEPARATE CHARGE TO CONSUMERS; SUCH LOSSES SHALL BE BORNE BY THE UTILITY OR COOPERATIVE AS PART OF ITS OPERATING COSTS AND SHALL BE SUBJECT TO THE LOSS-REDUCTION STANDARDS UNDER THE ELECTRIC POWER INDUSTRY REFORM ACT OF 2001 AND THE RULES OF THE ENERGY REGULATORY COMMISSION.**”

SEC. 5. ***Implementing Rules and Regulations.*** - The Energy Regulatory Commission shall, within ninety (90) days from the effectivity of the Act amending Sections 40, 43(f), and 60 of Republic Act No. 9136 and Section 10 of Republic Act No. 7832, revise the applicable rules and regulations on distribution rates, rate-adjustment mechanisms, and system-loss management to ensure that no distribution utility, including electric cooperatives, shall reflect system-loss costs as a separate line item in the electricity bill of consumers, and that such losses shall be treated as part of the operating costs of the utility or cooperative, subject to the ERC-imposed efficiency and loss-reduction standards and the reporting requirements prescribed in this Act.

SEC. 6. ***Repealing Clause*** - All laws, presidential decrees, executive orders, letters of instruction, administrative rules and regulations or parts thereof which are contrary to or inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

SEC. 7. ***Separability Clause.*** - Should any part or provision of this Act be held unconstitutional or invalid, all other provisions hereof which are not affected thereby shall continue to be in full force and effect.

SEC. 8. ***Effectivity.*** - This Act shall take effect after fifteen (15) days following its complete publication in the *Official Gazette* or in two (2) newspapers of general circulation whichever is earlier.

Approved,