



Republic of the Philippines
House of Representatives
Quezon City, Metro Manila



Twentieth Congress
First Regular Session

HOUSE BILL NO. 9218

Introduced by **REPRESENTATIVE ARTHUR C. YAP**

EXPLANATORY NOTE

In recent years, Filipino electricity consumers—particularly those served by Meralco—have raised persistent concerns over recurring increases in their electricity bills. Public discourse has focused on so-called “pass-through charges,” which are perceived to unduly burden consumers and allegedly fund projects or inefficiencies beyond their control.

While existing law, particularly Republic Act No. 9136, allows distribution utilities to recover certain costs incurred in the generation and delivery of electricity, the current regulatory framework has proven insufficient in ensuring that such charges remain transparent, reasonable, and fully accountable to the public.

At present, consumers face several structural issues:

First, limited transparency in billing. Electricity bills remain difficult to understand, with technical components that obscure the true drivers of cost increases.

Second, weak real-time regulatory oversight. Although the Energy Regulatory Commission exercises supervision, audits are not always timely, and disallowances often occur only after consumers have already borne the cost.

Third, risk of inefficiencies being passed on to consumers, including costs arising from imprudent procurement practices, over-contracting, and system losses.

Fourth, inadequate consumer remedies, as existing complaint mechanisms are often slow and inaccessible to the average ratepayer.

This bill seeks to address these concerns without undermining the financial viability of the power sector or the stability of electricity supply. Rather than abolishing pass-through mechanisms—which are integral to the structure established under EPIRA—this measure refines, limits, and subjects them to stricter transparency and accountability standards.

Specifically, this bill:

- Defines and limits pass-through charges to strictly necessary and verifiable costs;
- Prohibits the recovery of inefficiencies, penalties, and imprudent expenses from consumers;
- Mandates full public disclosure of electricity pricing components and supply agreements;
- Strengthens the audit and enforcement powers of the Energy Regulatory Commission;
- Improves consumer access to remedies, including expedited dispute resolution and automatic refunds for overcharges; and
- Reforms system loss caps and procurement practices to promote long-term efficiency in the power sector.

Ultimately, this measure advances the constitutional policy of protecting consumers, promoting transparency in public utilities, and ensuring that the costs of inefficiency are not unjustly borne by the Filipino people.

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



HON. ARTHUR C. YAP
Murang kuryente Party-List

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**AN ACT STRENGTHENING CONSUMER PROTECTION IN ELECTRICITY
BILLING, ENHANCING TRANSPARENCY IN PASS-THROUGH CHARGES,
AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 9136, AND FOR OTHER
PURPOSES**

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

SECTION 1. Short Title. This Act shall be known as the *“Pass-Through Charge
Regulation Act.”*

SECTION 2. Declaration of Policy. It is hereby declared the policy of the State to protect electricity consumers from unjust, unreasonable, and opaque charges, ensure transparency and accountability in electricity pricing, strengthen regulatory oversight, and maintain the stability and reliability of power supply.

It is further declared the policy of the State that consumers shall not be made to bear the financial burden of systems loss arising from the operation of transmission and distribution systems. Distribution utilities and electric cooperatives, being franchise holders and regulated entities vested with public interest obligations, shall absorb and manage such losses through operational efficiency, infrastructure modernization, anti-pilferage enforcement, and prudent system management.

SECTION 3. Definition of Terms. For purposes of this Act:

- (a) “Pass-Through Charges” refer to costs and charges that distribution utilities are authorized to recover automatically from end-users, corresponding to payments made to generation companies, transmission service providers, other electricity suppliers, and other bill components not attributable to the distribution utility’s own operations in the generation, transmission, or distribution of electricity;
- (b) “Regulatory Asset Recovery” refers to deferred recovery of costs subject to regulatory approval;
- (c) “Systems Loss” refers to energy losses incurred in the transmission and distribution of electricity, whether technical or non-technical, including losses arising from resistance, heat dissipation, pilferage, theft, meter tampering,

inefficiencies, poor maintenance, defective infrastructure, or other operational causes.

SECTION 4. Amendment to Republic Act No. 9136. — A new Section 25-A is hereby inserted into Republic Act No. 9136 to read as follows:

“Section 25-A. Prohibition on Recovery of Systems Loss and Limitations on Pass-Through Charges. — Only those costs that are demonstrably incurred, prudently contracted, competitively procured shall be eligible for recovery from end-users.

Recoverable costs shall be strictly limited to:

- (a) Verified generation charges arising from valid and ERC-approved Power Supply Agreements;
- (b) Transmission charges lawfully imposed and approved by the ERC;
- (c) Ancillary service charges demonstrably necessary for grid reliability; and
- (d) Other charges strictly necessary for the efficient and reliable delivery of electricity as may be expressly authorized by law.

Under no circumstance shall systems loss charges, whether technical or non-technical, be passed on, charged, billed, or otherwise recovered from electricity consumers.

All systems loss incurred in the operation of transmission and distribution systems shall be absorbed by the concerned transmission entity, distribution utility, or electric cooperative as part of the ordinary cost of doing business.

No rate application, automatic adjustment mechanism, true-up mechanism, or regulatory asset recovery scheme shall authorize the direct or indirect recovery of systems loss from consumers.

Any systems loss charge collected after the effectivity of this Act shall be deemed unlawful and shall be subject to automatic refund or bill credit with legal interest.

The Energy Regulatory Commission shall ensure strict compliance with this prohibition and shall immediately disallow any systems loss recovery mechanism inconsistent with this Act.”

SECTION 5. Anti-Circumvention Provision. Distribution utilities, electric cooperatives, transmission entities, generation companies, and other covered persons are prohibited from indirectly recovering systems loss through reclassification, embedded charges, ancillary mechanisms, negotiated pass-through arrangements, automatic adjustment formulas, or any analogous scheme designed to circumvent the prohibition established under this Act.

Any act intended to defeat or evade the prohibition on systems loss recovery shall constitute prima facie evidence of regulatory bad faith and shall subject the responsible persons to administrative, civil, and criminal liability.

SECTION 6. Mandatory Transparency Requirements. All distribution utilities and electric cooperatives are hereby required to ensure full, timely, and accessible disclosure of electricity pricing and billing information.

For this purpose, every distribution utility and electric cooperative shall:

- (a) Publish monthly a complete, itemized, and comprehensible breakdown of all billing components;
- (b) Maintain an accessible online platform containing updated information on electricity rates, systems loss levels, generation mix, purchased power costs, and pass-through charges;
- (c) Publicly disclose the material terms, pricing structures, and approval status of all Power Supply Agreements, subject only to narrowly tailored confidentiality limitations approved by the ERC;
- (d) Clearly identify in every bill all charges imposed by the utility, generation companies, transmission providers, and government-mandated charges; and
- (e) Disclose all applications for rate adjustments or cost recovery at least thirty (30) days prior to ERC action thereon.

Failure to comply with the transparency requirements under this section shall constitute a regulatory violation subject to administrative sanctions.

SECTION 7. Strengthening the Powers of the Energy Regulatory Commission. The ERC is hereby directed to exercise enhanced regulatory oversight over electricity pricing, procurement, and cost recovery.

For this purpose, the ERC shall:

- (a) Conduct regular audits, spot checks, and forensic examinations of pass-through charges and systems loss recoveries;
- (b) Disallow improper, excessive, imprudent, or unsupported charges;
- (c) Order the automatic refund or crediting of improperly collected amounts, with applicable legal interest;
- (d) Establish a real-time or near real-time monitoring system for electricity prices and recoveries;
- (e) Require utilities to submit standardized procurement and billing data;
- (f) Create mechanisms for meaningful consumer participation, including a Consumer Advisory Council composed of consumer representatives, industry experts, and civil society organizations;
- (g) Publish quarterly reports on electricity pricing trends, systems loss performance, and enforcement actions; and
- (h) Impose preventive suspension or provisional disallowance orders where there is prima facie evidence of unlawful cost recovery practices.
- (i) Conduct periodic forensic audits to ensure that systems loss charges are not indirectly embedded, reclassified, or concealed under other billing components.

SECTION 8. Standardized Electricity Billing Format. All electricity bills issued by distribution utilities and electric cooperatives shall adopt a uniform and consumer-friendly format prescribed by the ERC.

Such format shall:

- (a) Clearly and distinctly identify every billing component and its corresponding peso amount;
- (b) Indicate whether each charge is generation, transmission, distribution, systems loss, subsidy, tax, or government-imposed;
- (c) Include comparative historical billing data covering at least the preceding six (6) months;
- (d) Reflect the applicable systems loss percentage for the billing period; and
- (e) Be written in plain language understandable to ordinary consumers.

No bill shall contain vague, misleading, or inadequately described charges. Electricity bills shall no longer contain any line item, embedded charge, adjustment mechanism, or indirect recovery corresponding to systems loss.

SECTION 9. Competitive Procurement Requirement. All Power Supply Agreements entered into or renewed by distribution utilities shall be procured through transparent and competitive selection processes designed to ensure least-cost outcomes for consumers.

The ERC shall invalidate and disallow recovery of costs arising from contracts entered into in violation of competitive procurement rules.

All bidding results, bid evaluations, and bases for contract awards shall be publicly disclosed.

Affiliate or related-party transactions shall be subject to heightened scrutiny and shall carry the burden of proving that the resulting rates are demonstrably advantageous to consumers.

SECTION 10. Consumer Remedies and Class Actions. Electricity consumers shall have the right to seek redress before the ERC through accessible, affordable, and expeditious procedures.

Consumer groups, associations, cooperatives, and recognized civil society organizations shall have standing to initiate representative or class complaints on behalf of affected consumers.

Where overcharges are validated, refunds or billing credits shall be implemented motu proprio by the concerned utility without requiring individual consumer applications.

The ERC shall establish simplified procedures for small claims and consumer complaints.

SECTION 11. Prohibition on Abuse of Regulatory Asset Recovery. No regulatory asset recovery mechanism shall be approved unless the applicant utility demonstrates that:

- (a) The deferred costs were prudently incurred;
- (b) The recovery is necessary to preserve service reliability; and
- (c) No less burdensome alternative exists.

The ERC shall prohibit the recovery of costs arising from negligence, imprudence, poor planning, procurement failures, or preventable operational deficiencies.

SECTION 12. Penal Provisions. Any person or juridical entity who knowingly authorizes, imposes, collects, conceals, or misrepresents charges in violation of this Act shall, upon conviction, suffer imprisonment of six (6) years to twelve (12) years and a fine of not less than Five Million Pesos (₱5,000,000.00) but not more than Fifty Million Pesos (₱50,000,000.00), without prejudice to the imposition of administrative and civil sanctions.

Where the offender is a corporation, partnership, or juridical entity, the President, Chief Executive Officer, General Manager, Chief Financial Officer, members of the Board, or officers exercising equivalent managerial authority who knowingly authorized, approved, tolerated, or failed to prevent the unlawful act despite having the authority and duty to do so shall be held criminally and administratively liable.

The ERC may additionally impose:

- (a) Suspension or revocation of licenses;
- (b) Permanent disqualification from the electric power industry;
- (c) Administrative fines for every day of continuing violation; and
- (d) Restitution and mandatory consumer refunds.

SECTION 13. Implementing Rules and Regulations. Within ninety (90) days from the effectivity of this Act, the ERC, in coordination with the Department of Energy and after public consultation, shall promulgate the necessary rules and regulations for the effective implementation of this Act.

SECTION 14. Congressional Oversight. The Joint Congressional Energy Commission is hereby directed to monitor the implementation of this Act and review the performance of the ERC in enforcing consumer protection measures.

The ERC shall submit to Congress an annual report detailing enforcement actions, systems loss levels, refunds ordered, and consumer complaints resolved.

SECTION 15. Separability Clause. If any provision of this Act is declared unconstitutional, the remainder shall remain in full force and effect.

SECTION 16. Repealing Clause. All laws, decrees, executive issuances, rules, and regulations inconsistent with this Act are hereby repealed or modified accordingly.

SECTION 17. Effectivity. This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,