



Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH (20TH) CONGRESS
First Regular Session

HOUSE BILL NO. 10015



Introduced by KAMANGGAGAWA Partylist
Representative **ELIJAH R. SAN FERNANDO**

EXPLANATORY NOTE

The 1987 Constitution unequivocally recognizes the duty of the State to protect the welfare of the people and promote social justice in all phases of national development. Article II, Section 9 declares that the State shall promote a just and dynamic social order that ensures the prosperity and independence of the nation and frees the people from poverty through policies that provide adequate social services, promote full employment, raise the standard of living, and improve the quality of life for all. Corollarily, Article XII, Section 19 mandates the State to regulate or prohibit monopolies when the public interest so requires, while Article XIII, Section 1 directs Congress to give highest priority to measures that protect and enhance the right of all the people to human dignity, reduce social and economic inequalities, and equitably diffuse wealth and political power for the common good. These constitutional principles necessarily extend to the electric power industry, where the cost of electricity directly affects the daily survival of Filipino households, the viability of enterprises, the purchasing power of workers, and the overall competitiveness of the national economy.

Despite electricity being an essential public service indispensable to modern life, Filipino consumers continue to suffer from some of the highest electricity rates in Asia. For millions of workers and ordinary families, electricity bills have become an unbearable monthly burden that steadily erodes already meager wages and incomes. The rising cost of electricity does not merely affect household consumption. It also increases the price of food, transportation, healthcare, education, and other basic necessities, since electricity is embedded in nearly every stage of production and service

delivery. Consequently, the burden of high electricity costs falls most heavily upon workers, farmers, fisherfolk, small entrepreneurs, and other vulnerable sectors who are already struggling against inflation, stagnant wages, and economic insecurity.

The present structure of electricity pricing has allowed numerous charges, taxes, subsidies, and recoverable losses to be continuously passed on to end-users, regardless of whether such costs arise from inefficiencies, policy decisions, or industry obligations that should not be borne solely by consumers. Under the current framework, ordinary Filipinos are made to shoulder value-added taxes on electricity and its related charges, system loss charges arising from inefficiencies in distribution systems, universal charges intended to address broader sectoral obligations, as well as renewable energy allowances designed to support industry transition policies. While many of these mechanisms were originally introduced with legitimate policy objectives, their cumulative effect has been to disproportionately transfer the financial burden of the electric power industry onto consumers who have the least capacity to absorb additional costs.

At the same time, socialized mechanisms intended to protect marginalized consumers remain inadequate and unevenly implemented. Lifeline subsidies and senior citizen discounts, while necessary, continue to be indirectly funded by other consumers through cross-subsidization mechanisms embedded in electricity bills. As a result, even low-income households and minimum wage earners who barely survive on daily wages continue to subsidize costs throughout the system. This arrangement perpetuates a cycle where the public continuously absorbs the financial consequences of structural inefficiencies and policy failures in the power sector.

This bill seeks to confront these longstanding inequities by adopting a comprehensive framework aimed at reducing the cost of electricity borne by consumers while ensuring a more equitable distribution of obligations within the electric power industry. Central to this reform is the zero-rating of the value-added tax on all components of electricity sales, including charges and adjustments ordinarily incorporated into electricity billings. By removing VAT from electricity consumption, the measure directly reduces the financial burden imposed upon households and productive sectors while recognizing electricity as an essential necessity rather than a luxury commodity.

The measure likewise rationalizes systems loss charges by imposing stricter caps on recoverable losses and strengthening regulatory oversight to ensure that inefficiencies are not unjustly passed on to consumers. It further reforms the allocation of universal charges and renewable energy allowances by shifting the burden away

from end-users and distributing such obligations among participants in the electric power industry according to equitable and reasonable standards. In doing so, the bill recognizes that the costs associated with industry-wide obligations and energy transition policies should not fall disproportionately upon ordinary consumers whose incomes are already constrained by rising living costs.

Moreover, this measure strengthens social protection mechanisms for vulnerable sectors by ensuring full government support for lifeline rate subsidies and senior citizen electricity discounts. It expands protection for marginalized consumers, including minimum wage earners, and guarantees that the costs of these subsidies shall no longer be passed on to other electricity end-users. Through these reforms, the bill affirms the principle that access to affordable electricity is not merely a commercial concern but a matter of social justice and public welfare.

More importantly, this proposed legislation reorients electricity regulation toward the primacy of public interest. It recognizes that the electric power industry exists not solely for private profit, but to serve the broader developmental needs of the Filipino people and the national economy. By promoting transparency, accountability, efficiency, and equitable cost allocation within the power sector, this measure seeks to ensure that economic growth and modernization do not come at the expense of workers and ordinary consumers.

At a time when Filipino families continue to struggle against rising prices and declining purchasing power, reducing the cost of electricity is not merely an economic imperative but a moral and constitutional obligation. A just energy policy must ensure that no Filipino household is deprived of decent living conditions because of unaffordable electricity rates, and that no worker is further impoverished by a system that continuously transfers the costs of inefficiency and inequity onto the public.

In solidarity with the working class, the passage of this bill is earnestly sought.



ELIJAH R. SAN FERNANDO
Representative
KAMANGCAGAWA PARTYLIST



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AN ACT

**REDUCING THE COST OF ELECTRICITY FOR CONSUMERS BY ZERO-RATING
THE VALUE-ADDED TAX ON ALL COMPONENTS OF THE SALE OF
ELECTRICITY, REDUCING THE RECOVERABLE SYSTEMS LOSS RATE,
RATIONALIZING UNIVERSAL CHARGES AND ENERGY TRANSITION
CHARGES, PROVIDING GOVERNMENT SUPPORT FOR LIFELINE RATE AND
SENIOR CITIZEN DISCOUNTS, AND APPROPRIATING FUNDS THEREFOR**

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 “*Makatarungang Singil sa Kuryente Act.*”

SECTION 2. *Declaration of Policy.* – It is hereby declared the policy of the State to protect and promote the right of the people to affordable, accessible, reliable, adequate, and sustainable electricity as an essential service indispensable to economic development, social justice, industrialization, and the general welfare. The State recognizes that the persistent high cost of electricity imposes a severe burden upon Filipino households, workers, farmers, fisherfolk, micro, small and medium enterprises, and other productive sectors, erodes the purchasing power of wages and incomes, increases the cost of goods and basic services, undermines national competitiveness, and aggravates poverty and inequality.

Towards this end, the State shall ensure that the pricing and regulation of electricity are guided primarily by the public interest and not solely by commercial

considerations. Therefore, the State shall adopt measures to reduce the cost of electricity borne by end-users by rationalizing taxes, charges, subsidies, and recoverable losses, thereby promoting efficiency, transparency, and accountability in the operations of participants in the electric power industry, preventing the unjust and excessive pass-on of costs and inefficiencies to consumers, and ensuring that the burdens associated with public policy objectives and industry-wide obligations are allocated in an equitable and socially just manner among participants in the electric power industry.

The State likewise affirms its duty to provide greater protection and assistance to low-income households, minimum wage earners, qualified marginalized end-users, senior citizens, and other vulnerable sectors through socialized pricing mechanisms and government-funded subsidies for electricity consumption.

SECTION 3. *Definition of Terms.* – For purposes of this Act, and in addition to the terms defined in Republic Act No. 9136, otherwise known as the "*Electric Power Industry Reform Act of 2001*", Republic Act No. 9513, otherwise known as the "*Renewable Energy Act of 2008*," Republic Act No. 9994, otherwise known as the "*Expanded Senior Citizens Act of 2010*," and Republic Act No. 11552, the following terms shall be defined as follows:

- (a) *Distribution Utility* or *DU* refers to any electric cooperative, private distribution utility, government-owned utility, or existing local government unit-owned utility which has an exclusive franchise to operate a distribution system in accordance with its franchise and Republic Act No. 9136;
- (b) *Electric Cooperative* or *EC* refers to a distribution utility organized pursuant to Presidential Decree No. 269, as amended, or as otherwise provided in Republic Act No. 9136;
- (c) *End-user* refers to any person or entity requiring the supply and delivery of electricity for its own use;
- (d) *Energy Regulatory Commission* or *ERC* refers to the independent, quasi-judicial regulatory body created pursuant to Republic Act No. 9136;
- (e) *Feed-In Tariff Allowance* or *FIT-All* refers to the cost recovery mechanism established pursuant to Section 7 of Republic Act No. 9513, under which the incremental cost of electricity generated from emerging renewable energy resources under the Feed-In Tariff system is allocated and remitted to eligible renewable energy generators;

- (f) *Green Energy Auction Allowance* or *GEA-All* refers to the cost recovery mechanism corresponding to the incremental cost of electricity procured through Green Energy Auction Program contracts established by the Department of Energy pursuant to Republic Act No. 9513 and related issuances;
- (g) *Generation Company* refers to any person or entity authorized by the ERC to operate facilities used in the generation of electricity;
- (h) *National Electrification Administration* or *NEA* refers to the government agency created under Presidential Decree No. 269, as amended by Republic Act No. 10531;
- (i) *Private Distribution Utility* or *PDU* refers to a distribution utility organized as a private corporation which has a franchise to operate a distribution system, including those whose franchise covers economic zones: *Provided, That* for purposes of this Act, government-owned and local government-owned utilities as well as those operating within economic zones shall be classified as PDUs;
- (j) *Qualified marginalized end-user* has the same meaning as defined under Section 73 of Republic Act No. 9136, as amended by Republic Act No. 11552, otherwise known as the "*National Electrification Administration Reform Act of 2013*";
- (k) *Renewable Energy Allowance* refers to the cost recovery mechanism established pursuant to Republic Act No. 9513, otherwise known as the "*Renewable Energy Act of 2008*," including but not limited to the Feed-In Tariff Allowance (FIT-All) and the Green Energy Auction Allowance (GEA-All), imposed for the purpose of recovering the incremental costs associated with the development, procurement, integration, and promotion of electricity generated from renewable energy resources.
- (l) *Senior citizen* refers to any resident citizen of the Philippines who is at least sixty (60) years of age, as defined under Section 2(a) of Republic Act No. 7432, as amended by Republic Act No. 9994, otherwise known as the "*Expanded Senior Citizens Act of 2010*";
- (m) *Systems Loss* refers to the difference between the electric energy delivered to the distribution system (energy input) and the energy delivered to end-users and other entities connected to the system (energy output), calculated in accordance with this Act;

- (n) *Universal Charge* refers to the charges imposed pursuant to Section 34 of Republic Act No. 9136 for the recovery of stranded debts, stranded contract costs, missionary electrification, environmental charges, and equalization of taxes and royalties on indigenous energy resources; and
- (o) VAT refers to the value-added tax imposed under the National Internal Revenue Code of 1997, as amended.

SECTION 4. *Amendment to Section 106(A)(2) of the NIRC on VAT Zero-Rating of the Sale of Electricity.* – Section 106(A)(2) of the National Internal Revenue Code, as amended, is hereby further amended to read as follows:

SEC. 106. Value-Added Tax on Sale of Goods or Properties. –

“(A) x x x

“x x x

“(2) x x x

“x x x

“(d) SALES OF ELECTRICITY BY GENERATION, TRANSMISSION, AND DISTRIBUTION COMPANIES AND ELECTRIC COOPERATIVES, INCLUDING ALL CHARGES, FEES, SUBSIDIES, CONTRIBUTIONS, ADJUSTMENTS, AND OTHER AMOUNTS FORMING PART OF OR INCLUDED IN ELECTRICITY BILLINGS, INCLUDING BUT NOT LIMITED TO LIFELINE RATE SUBSIDIES, SENIOR CITIZEN DISCOUNTS, MEMBER’S CONTRIBUTIONS FOR CAPITAL EXPENDITURES (MCC), UNIVERSAL CHARGES, FEED-IN TARIFF ALLOWANCES (FIT-ALL), GREEN ENERGY AUCTION ALLOWANCES (GEA-ALL), SYSTEM LOSS CHARGES, METERING CHARGES, SUPPLY CHARGES, AND OTHER SIMILAR CHARGES IMPOSED, COLLECTED, OR RECOVERED BY DISTRIBUTION COMPANIES OR ELECTRIC COOPERATIVES.

“[(d)] (E) Those sales subject to zero percent (0%) VAT under special laws.

“x x x.”

SECTION 5. *Amendment to Section 108 of the NIRC on the VAT Zero-Rating of the Sale of Electricity.* – Section 108 of the National Internal Revenue Code, as amended, is hereby further amended to read as follows:

“SEC. 108. Value-Added Tax on the Sale of Services, Including Digital Services, and the Use or Lease of Properties. -

“(A) Rate and Base of Tax. — There shall be levied, assessed and collected, a value-added tax equivalent to twelve percent (12%) of the gross sales derived from the sale or exchange of services, including digital services, and the use or lease of properties.

“The phrase 'sale or exchange of services' means the performance of all kinds of services in the Philippines for others for a fee, remuneration, or consideration, including those performed or rendered by construction and service contractors; stock, real estate, commercial, customs and immigration brokers; lessors of property, whether personal or real; warehousing services; lessors or distributors of cinematographic films; persons engaged in milling, processing, manufacturing or repacking goods for others; proprietors, operators or keepers of hotels, motels, rest houses, pension houses, inns, resorts; proprietors or operators of restaurants, refreshment parlors, cafes and other eating places, including clubs and caterers; dealers in securities; lending investors; transportation contractors on their transport of goods or cargoes, including persons who transport goods or cargoes for hire and other domestic common carriers by land relative to their transport of goods or cargoes; common carriers by air and sea relative to their transport of passengers, goods or cargoes from one place in the Philippines to another place in the Philippines; ~~sales of electricity by generation companies, transmission by any entity, and distribution companies, including electric cooperatives~~; services of franchise grantees of ~~[electric utilities]~~ telephone and telegraph, radio and television broadcasting and all other franchise grantees except those under Section 119 of this Code, and non-life insurance companies (except their crop insurances), including surety, fidelity, indemnity and bonding companies; digital service providers; and similar services regardless of whether or not the performance thereof calls for the exercise or use of the physical or mental faculties. The phrase 'sale or exchange of services' shall likewise include:

“x x x

(B) Transactions Subject to Zero Percent (0%) Rate - The following services performed in the Philippines by VAT- registered persons shall be subject to zero percent (0%) rate.

"x x x

**"(8) SERVICES OF FRANCHISE GRANTEES OR ELECTRIC UTILITIES;
AND**

"[(8)] (9) Sales subject to zero percent (0%) VAT under special laws.

"x x x."

SECTION 6. *Amendment to Section 43(f) of Republic Act No. 9136 on Systems Loss Cap. – Section 43(f) of Republic Act No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001," as amended, is hereby further amended to read as follows:*

"Section 43. Functions of the ERC. – The ERC shall promote competition, encourage market development, ensure customer choice and penalize abuse of market power in the restructured electricity industry. In appropriate cases, the ERC is authorized to issue cease and desist order after due notice and hearing. Towards this end, it shall be responsible for the following key functions in the restructured industry:

"x x x

"(f) In the public interest, establish and enforce a methodology for setting transmission and distribution wheeling rates and retail rates for the captive market of a distribution utility, taking into account all relevant considerations, including the efficiency or inefficiency of the regulated entities. The rates must be such as to allow the recovery of just and reasonable costs and a reasonable return on rate base (RORB) to enable the entity to operate viably. The ERC may adopt alternative forms of internationally-accepted rate-setting methodology as it may deem appropriate. The rate-setting methodology so adopted and applied must ensure a reasonable price of electricity. The rates prescribed shall be non-discriminatory. ~~[To achieve this objective and to ensure the complete removal of cross subsidies, the cap on the recoverable rate of system losses prescribed in Section 10 of Republic Act No. 7832, is hereby amended and shall be replaced by caps which shall be determined by the ERC based on load density, sales mix, cost of service, delivery voltage and other technical~~

~~considerations it may promulgate.]~~ The ERC shall determine such form or rate-setting methodology, which shall promote efficiency. In case the rate setting methodology used is RORB, it shall be subject to the following guidelines:

“(i) x x x

“(ii) x x x

“(iii) x x x

“(iv) x x x

“(v) x x x

TO ACHIEVE THE AFOREMENTIONED OBJECTIVE AND TO ENSURE THE COMPLETE REMOVAL OF CROSS SUBSIDIES, THE CAP ON THE RECOVERABLE RATE OF SYSTEM LOSSES PRESCRIBED IN SECTION 10 OF REPUBLIC ACT NO. 7832, IS HEREBY AMENDED AND SHALL BE REPLACED BY THE FOLLOWING CAPS WHICH SHALL BE THE MAXIMUM ALLOWABLE SYSTEMS LOSS FOR PURPOSES OF COST RECOVERY IN RATE-SETTING:

“(I) FOR PRIVATE DISTRIBUTION UTILITIES: A MAXIMUM OF FIVE PERCENT (5%) OF TOTAL ENERGY INPUT; AND

“(II) FOR ELECTRIC COOPERATIVES: A MAXIMUM OF TEN PERCENT (10%) OF TOTAL ENERGY INPUT.

“THE ERC SHALL DETERMINE, EVERY THREE (3) YEARS FROM THE EFFECTIVITY OF THIS AMENDATORY ACT, WHETHER THE CAPS SHALL BE REDUCED FURTHER ON THE BASIS OF LOAD DENSITY, SALES MIX, COST OF SERVICE, DELIVERY VOLTAGE, AND OTHER TECHNICAL CONSIDERATIONS, AS WELL AS INTERNATIONAL BENCHMARKS, TAKING INTO ACCOUNT THE VIABILITY OF DISTRIBUTION UTILITIES AND ELECTRIC COOPERATIVES AND THE INTEREST OF CONSUMERS: PROVIDED, THAT THE ERC SHALL ESTABLISH A TIMEFRAME FOR THE COMPLIANCE OF ALL DISTRIBUTION UTILITIES WITH THE SYSTEMS LOSS RATE CAPS HEREIN PROVIDED: PROVIDED, FURTHER, THAT SUCH TIMEFRAME SHALL, AS FAR AS PRACTICABLE, COINCIDE WITH THE

COMMENCEMENT OF THE NEXT REGULATORY PERIOD OF THE DISTRIBUTION UTILITY CONCERNED: *PROVIDED, FURTHERMORE,* THAT DISTRIBUTION UTILITIES OPERATING IN AREAS DESIGNATED AS MISSIONARY ELECTRIFICATION AREAS BY THE NATIONAL POWER CORPORATION'S SMALL POWER UTILITIES GROUP SHALL BE SUBJECT TO SYSTEMS LOSS CAPS THAT MAY BE SEPARATELY DETERMINED BY THE ERC TAKING INTO ACCOUNT THE UNIQUE AND ADVERSE GEOGRAPHIC AND DEMOGRAPHIC CONDITIONS OF SUCH AREAS, BUT IN NO CASE SHALL SUCH CAP EXCEED FIFTEEN PERCENT (15%) OF TOTAL ENERGY INPUT.

"A DISTRIBUTION UTILITY MAY, IN EXCEPTIONAL CIRCUMSTANCES, APPLY WITH THE ERC FOR THE USE OF AN INDIVIDUALIZED SYSTEMS LOSS CAP: *PROVIDED,* THAT NO INDIVIDUALIZED SYSTEMS LOSS CAP SHALL EXCEED THE APPLICABLE CAP IN EFFECT AT THE TIME OF APPLICATION: *PROVIDED, FURTHER,* THAT IN DETERMINING THE REASONABLE LEVEL OF ANY INDIVIDUALIZED CAP, THE ERC SHALL CONDUCT A COST-BENEFIT ANALYSIS FROM THE STANDPOINT OF THE CONSUMER: *PROVIDED, FINALLY,* THAT THE ERC SHALL ISSUE A FINAL DECISION ON ANY SUCH APPLICATION WITHIN ONE HUNDRED TWENTY (120) CALENDAR DAYS FROM THE SUBMISSION OF A COMPLETE APPLICATION.

"ALL DISTRIBUTION UTILITIES SHALL SUBMIT TO THE ERC, ON A QUARTERLY BASIS, A SWORN STATEMENT CONTAINING THEIR SEGREGATED SYSTEMS LOSSES, INDICATING SEPARATELY THEIR TECHNICAL AND NON-TECHNICAL LOSSES, TOGETHER WITH ALL DOCUMENTS PERTINENT TO THE SYSTEMS LOSS CHARGES THEY RECOVER FROM END-USERS. THE ERC SHALL ANNUALLY REVIEW AND STRICTLY VERIFY THE SYSTEMS LOSS CHARGES TO ENSURE THAT ONLY ALLOWABLE COSTS WITHIN THE APPLICABLE CAPS ARE RECOVERED.

"THE ERC SHALL DEVISE AND ADMINISTER A PERFORMANCE INCENTIVE SCHEME THAT REWARDS DISTRIBUTION UTILITIES ACHIEVING SYSTEMS LOSS RATES BELOW THE APPLICABLE CAP, WITH A VIEW TO ENCOURAGING FURTHER EFFICIENCY IMPROVEMENTS IN DISTRIBUTION SYSTEM OPERATIONS.

"x x x."

SECTION 7. *Amendment to Section 34 of Republic Act No. 9136 on the Universal Charge.* – Section 34 of Republic Act No. 9136, otherwise known as the “*Electric Power Industry Reform Act of 2001*,” as amended, is hereby further amended to read as follows:

“Section 34. Universal Charge. – Within one (1) year from the effectivity of this Act, a universal charge to be determined, fixed and approved by the ERC., shall be imposed on all ~~[electricity end-users]~~ **PARTICIPANTS IN THE ELECTRIC POWER INDUSTRY** for the following purposes:

“x x x

~~“The universal charge shall be a non-bypassable charge which shall be [passed on and collected from all end-users on a monthly basis by the distribution utilities. Collections by the distribution utilities and the TRANSCO in any given month shall be remitted to the PSALM Corp. on or before the fifteenth (15th) of the succeeding month, net of any amount due to the distribution utility. Any end-user or self-generating entity not connected to a distribution utility shall remit its corresponding universal charge directly to the TRANSCO]~~ **IMPOSED ON AND COLLECTED FROM ALL PARTICIPANTS IN THE ELECTRIC POWER INDUSTRY, INCLUDING GENERATION COMPANIES, THE NATIONAL TRANSMISSION CORPORATION OR ITS BUYER OR CONCESSIONAIRE, AND DISTRIBUTION UTILITIES, IN PROPORTION TO THEIR RESPECTIVE CAPACITIES, ENERGY OUTPUT, OR SUCH OTHER EQUITABLE BASIS AS THE ERC MAY DETERMINE: PROVIDED, THAT THE UNIVERSAL CHARGE SHALL NOT BE IMPOSED ON, COLLECTED FROM, OR RECOVERED THROUGH THE MONTHLY ELECTRICITY BILLS OF END-USERS: PROVIDED, FURTHER, THAT INDUSTRY PARTICIPANTS SHALL REMIT THEIR CORRESPONDING SHARE OF THE UNIVERSAL CHARGE DIRECTLY TO THE POWER SECTOR ASSETS AND LIABILITIES MANAGEMENT CORPORATION (PSALM CORP.) ON OR BEFORE THE FIFTEENTH (15TH) DAY OF THE MONTH SUCCEEDING THAT TO WHICH THE CHARGE PERTAINS: PROVIDED, FURTHERMORE, THAT THE ALLOCATION OF THE UNIVERSAL CHARGE AMONG INDUSTRY PARTICIPANTS SHALL TAKE INTO ACCOUNT THEIR RESPECTIVE ROLES, CAPACITIES, AND ENERGY CONTRIBUTIONS IN THE ELECTRIC POWER SECTOR: PROVIDED, FINALLY, THAT ANY END-USER OR SELF-GENERATING ENTITY NOT CONNECTED TO A DISTRIBUTION UTILITY SHALL BE**

EXEMPT FROM THE UNIVERSAL CHARGE IMPOSED UNDER THIS SECTION.

"x x x."

SECTION 8. *Amendment to Section 73 of Republic Act No. 9136, as Amended, on the Lifeline Rate.* – Section 73 of Republic Act No. 9136, otherwise known as the "*Electric Power Industry Reform Act of 2001*," as amended by Republic Act No. 10150 and further amended by Republic Act No. 11552, is hereby further amended to read as follows:

"SEC. 73. Lifeline Rate. - In order to provide assistance to electricity consumers, especially those living below the poverty line, and to achieve a more equitable distribution of the lifeline subsidy, a socialized pricing mechanism called a lifeline rate for qualified marginalized end-users shall be set by the ERC which shall be exempted from the cross subsidy phase-out under this Act for a period of fifty (50) years, unless otherwise extended by law. The level of consumption, subsidy, and rate shall be determined by the ERC after due notice and hearing: *Provided*, That the ERC shall primarily utilize data from the Philippine Statistics Authority (PSA) in the determination of the level of consumption.

"Qualified marginalized end-users shall refer to any of the following:

"(a) Qualified household-beneficiaries under Republic Act No. 11310, otherwise known as the "Pantawid Pamilyang Pilipino Program (4Ps) Act," as regularly submitted by the Department of Social Welfare and Development (DSWD) to the DOE, the ERC, and the distribution utility, whose level of consumption shall be within the threshold determined by the ERC, are qualified marginalized end-users under this Act; ~~or~~

"(b) Marginalized end-users who have been certified and continually validated as such by their distribution utility based on a criteria determined by the ERC: *Provided*, That the criteria shall take into account, among others, the poverty threshold set by the PSA, and shall contain an exclusive list of requirements to be submitted to the distribution utility: *Provided, further*, That the exclusive list of requirements shall be simplified and reasonable for the applicant: *Provided, furthermore*, That the distribution utility shall act on the application for certification as a marginalized end-user within two (2) working days from submission of complete documentary requirements: *Provided, finally*, That the distribution utility's action on the application shall be within ten (10) working days during the initial implementation of this Act[-]; **OR**

“(C) FOR THIS PURPOSE, MINIMUM WAGE EARNERS SHALL BE PRESUMED QUALIFIED MARGINALIZED END-USERS, SUBJECT TO VERIFICATION BASED ON OFFICIAL WAGE ORDERS OF THE REGIONAL TRIPARTITE WAGES AND PRODUCTIVITY BOARDS, OR PROOF OF EMPLOYMENT.

“All qualified marginalized end-users [~~shall continually meet the criteria in this Act to avail of the lifeline rate~~] WHOSE LEVEL OF CONSUMPTION OF ELECTRICITY IS NOT MORE THAN ONE HUNDRED FIFTY KILOWATT HOURS (150 kWh) PER MONTH SHALL BE FULLY SUBSIDIZED BY THE GOVERNMENT. FOR THIS PURPOSE, DISTRIBUTION UTILITIES SHALL APPLY THE LIFELINE RATE TO ALL QUALIFIED MARGINALIZED END-USERS AND SHALL BE REIMBURSED BY THE NATIONAL GOVERNMENT FOR THE CORRESPONDING SUBSIDY AMOUNT. UNDER NO CIRCUMSTANCE SHALL THE DISTRIBUTION UTILITY PASS ON THE COST OF THE LIFELINE RATE SUBSIDY TO OTHER END-USERS OR INCLUDE IT AS A COMPONENT OF ANY CROSS-SUBSIDY.

“x x x.”

SECTION 9. *Amendment to Section 7 of Republic Act No. 9513 on the Renewable Energy Allowance System.* – Section 7 of Republic Act No. 9513, otherwise known as the “Renewable Energy Act of 2008,” is hereby amended to read as follows:

“Section 7. Feed-In Tariff System. - To accelerate the development of emerging renewable energy resources, a feed-in tariff system for electricity produced from wind, solar, ocean, run-of-river hydropower and biomass is hereby mandated. Towards this end, the ERC in consultation with the National Renewable Energy Board (NREB) created under Section 27 of this Act shall formulate and promulgate feed-in tariff system rules within one (1) year upon the effectivity of this Act which shall include, but not limited to the following:

“(a) x x x

“(b) x x x

“(c) x x x

“(d) x x x

"THE COST OF RENEWABLE ENERGY ALLOWANCES, INCLUDING BUT NOT LIMITED TO THE FEED-IN TARIFF ALLOWANCE (FIT-ALL) AND THE GREEN ENERGY AUCTION ALLOWANCE (GEA-ALL), SHALL BE BORNE BY ALL PARTICIPANTS IN THE ELECTRIC POWER INDUSTRY, INCLUDING GENERATION COMPANIES, THE NATIONAL TRANSMISSION CORPORATION OR ITS BUYER OR CONCESSIONAIRE, AND DISTRIBUTION UTILITIES, IN A MANNER TO BE DETERMINED BY THE ERC IN CONSULTATION WITH THE NREB AND THE DEPARTMENT OF ENERGY: PROVIDED, THAT THE MANNER OF ALLOCATION SHALL TAKE INTO ACCOUNT THE CAPACITY OBLIGATIONS AND ENERGY MIX OF EACH INDUSTRY PARTICIPANT: PROVIDED, FURTHER, THAT THE RENEWABLE ENERGY ALLOWANCES SHALL NOT BE IMPOSED ON, COLLECTED FROM, OR RECOVERED THROUGH THE BILLS OF END-USERS: PROVIDED, FINALLY, THAT THE ERC SHALL PROMULGATE THE RULES AND PROCEDURES FOR THE ALLOCATION AND COLLECTION OF THE RENEWABLE ENERGY ALLOWANCES FROM INDUSTRY PARTICIPANTS, AND FOR THE REMITTANCE OF THE SAME TO THE FUND ADMINISTRATOR."

SECTION 10. *Amendment to Section 4(c) of Republic Act No. 7432, as amended by Republic Act No. 9994, on the Senior Citizen Electricity Discount. – Section 4(c) of Republic Act No. 7432, as amended by Republic Act No. 9257, otherwise known as the "Expanded Senior Citizens Act of 2003," and further amended by Republic Act No. 9994, otherwise known as the "Expanded Senior Citizens Act of 2010," is hereby further amended to read as follows:*

"SEC. 4. Privileges for the Senior Citizens. -

"The senior citizens shall be entitled to the following:

"x x x

"(c) the grant of a minimum of five percent (5%) discount relative to the monthly utilization of water and electricity supplied by the public utilities: *Provided*, That the individual meters for the foregoing utilities are registered in the name of the senior citizen residing therein: *Provided, further*, That the monthly consumption does not exceed one hundred kilowatt hours (100 kWh) of electricity and thirty cubic meters (30 m³) of water: *Provided, furthermore*, That the privilege is granted per household regardless of the number of senior citizens residing therein: **PROVIDED, FINALLY, THAT THE FULL COST OF THE FIVE PERCENT (5%)**

DISCOUNT ON ELECTRICITY GRANTED TO SENIOR CITIZENS UNDER THIS SUBSECTION SHALL BE ASSUMED AND PAID BY THE NATIONAL GOVERNMENT. THE DISTRIBUTION UTILITY OR ELECTRIC COÖPERATIVE SHALL APPLY THE DISCOUNT TO THE ELECTRICITY BILLS OF QUALIFIED SENIOR CITIZENS AND SHALL BE REIMBURSED BY THE NATIONAL GOVERNMENT FOR THE CORRESPONDING DISCOUNT AMOUNT. THE DISTRIBUTION UTILITY OR ELECTRIC COOPERATIVE SHALL NOT PASS ON THE COST OF THE SENIOR CITIZEN ELECTRICITY DISCOUNT TO OTHER END-USERS OR TREAT IT AS A DEDUCTIBLE EXPENSE FOR PURPOSES OF INCOME TAXATION;

"x x x."

SECTION 11. *Appropriations.* – The amount necessary to fund the government's obligations under this Act, including the full cost of the lifeline rate subsidy and the senior citizen electricity discount under Sections 8 and 10 hereof, shall be included in the annual General Appropriations Act. For the initial implementation of this Act, the funding requirements shall be sourced from all current and available appropriations of national government agencies implementing social amelioration, energy subsidy, and income-support programs, subject to applicable budgeting, accounting, and auditing rules and regulations.

SECTION 12. *Transitory Provision.* – The following transitory rules shall apply:

- (a) *VAT Zero-Rating.* – The zero-rating of the value-added tax on the sale of electricity and all related charges under Sections 4 and 5 of this Act shall take effect upon the effectivity of this Act. The Bureau of Internal Revenue shall issue the necessary revenue regulations, circulars, and memoranda to implement the VAT exemption and to provide guidance to all affected persons, including distribution utilities, generation companies, the National Transmission Corporation or its concessionaire, and electric cooperatives, on the adjustments required in their invoicing, billing, and reporting systems.
- (b) *Systems Loss.* – The new systems loss caps under Section 6 of this Act shall take effect upon effectivity of this Act. Distribution utilities already operating at or below the applicable new caps shall be recognized as compliant.
- (c) *Renewable Energy Allowance.* – The FIT-All and GEA-All charges currently being collected from end-users through their electricity bills shall be discontinued within ninety (90) days from the effectivity of this Act. The ERC shall, within the

same period, promulgate the rules for the imposition of the FIT-All and GEA-All on industry participants pursuant to Section 9 of this Act.

(d) *Universal Charge.* – The collection of the universal charge from end-users through their electricity bills shall be discontinued within ninety (90) days from the effectivity of this Act. The ERC shall, within the same period, promulgate the rules for the imposition of the universal charge on industry participants pursuant to Section 7 of this Act.

(e) *Lifeline Rate and Senior Citizen Discount.* – The current lifeline rate and senior citizen electricity discount programs shall continue without interruption. The National Government shall assume the funding obligation for these programs within ninety (90) days from the effectivity of this Act, and the Department of Energy, in coordination with the Department of Budget and Management and the Energy Regulatory Commission, shall establish the payment mechanism and reimbursement procedures therefor within the same period.

SECTION 13. *Implementing Rules and Regulations.* – Within ninety (90) days from the effectivity of this Act, the Department of Energy, in coordination with the Energy Regulatory Commission, the National Electrification Administration, the Bureau of Internal Revenue, the Department of Social Welfare and Development, the Department of Budget and Management, and other relevant government agencies, and in consultation with electric power industry participants, consumer groups, and other stakeholders, shall promulgate the implementing rules and regulations for the effective implementation of this Act.

SECTION 14. *Repealing Clause.* – All laws, decrees, executive orders, implementing rules and regulations, issuances, or any part thereof inconsistent with the provisions of this Act are hereby repealed, amended, or modified accordingly.

SECTION 15. *Separability Clause.* – If any provision of this Act is declared unconstitutional, the remaining parts or provisions hereof not affected thereby shall remain in full force and effect.

SECTION 16. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication, in English and Filipino, in the Official Gazette or in at least two (2) newspapers of general circulation.

Approved,