

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
Second Regular Session

HOUSE BILL NO. 10257



Introduced by: Kababaihan Kabalikatan para sa Kapakanan at Kaunlaran ng Bayan (4K) Party-list
Representative Iris Marie D. Montes

AN ACT
REMOVING THE ALLOWABLE SYSTEMS LOSS FROM PRIVATE UTILITY COMPANIES AND REDUCING THE CAP OF RECOVERABLE SYSTEM LOSSES OF RURAL ELECTRIC COOPERATIVES FROM FOURTEEN PERCENT (14%) TO FIVE PERCENT (5%), AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 7832, AS AMENDED BY SECTION 43(f) OF REPUBLIC ACT NO. 9136, AND REPUBLIC ACT NO. 8424, AS AMENDED BY REPUBLIC ACT NO. 9337

EXPLANATORY NOTE

Article II, Section 9 of the 1987 Philippine Constitution provides that "The State shall promote a just and dynamic social order that will ensure the prosperity and independence of the nation and free the people from poverty through policies that provide adequate social services, promote full employment, a rising standard of living, and an improved quality of life for all."

The Constitution, in underlining the importance of social justice and human rights provisions, articulates in Article XIII the State mandate of giving highest priority to the enactment of measures that protect and enhance the right of all people to human dignity and reduce social, economic, and political inequalities.

For this purpose, it enshrines a profound and enduring commitment of ensuring that the instruments of economic life shall be governed, more than any other financial considerations, by the higher demands of justice, equity, and the common good. It is within this constitutional ethos that this measure, the proposed "Murang Kuryente para sa Bawat Pilipino Act," is firmly anchored.

Electricity, as a fundamental driver of modern life, is indispensable to national development and the welfare of every Filipino household. Yet, embedded within the cost structure of electricity distribution is the concept of "system loss"—the difference between electricity purchased or generated and that actually delivered to consumers. While certain levels of technical loss are inherent in any distribution system, the indiscriminate or excessive passing-on of such losses to consumers has long been a source of inequity and public concern.

In practice, consumers—many of whom are already burdened by rising electricity costs—have been made to shoulder inefficiencies not of their own making, including losses arising from administrative lapses, pilferage, and operational shortcomings. Such a regime runs counter to the constitutional principle that the burdens of economic activity must be justly and equitably distributed.

This bill seeks to restore balance and fairness by strictly limiting the allowable system loss that may be passed on to consumers, confining it solely to legitimate technical losses arising from design and operational realities, and capping the same at a reasonable threshold of five percent (5%) for rural electric cooperatives. By doing so, it ensures that inefficiencies and non-technical losses are no longer unjustly transferred to the consuming public.

At its core, this measure harmonizes two equally vital objectives: the protection of consumers from unjust charges, and the continued viability of rural electric cooperatives that serve far-flung and underserved communities. It affirms that while the State supports the sustainability of distribution utilities, such support must never come at the expense of fairness and reasonableness to the public.

Hence, the passage of this bill is earnestly sought.


IRIS MARIE D. MONTES
Kababaihan Kabalikatan para sa Kapakanan
at Kaunlaran ng Bayan (4K) Party-list

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

SECTION 1. *Title of the Act.* - This Act shall be known as the "Murang Kuryente Para sa Bawat Pilipino Act".

SEC. 2. *Declaration of Policy.* - It shall be the policy of the State to protect the rights of every electric consumer without compromising the State's assistance to the viability of every electric distributors' operations. Electricity is an indispensable commodity in the economic growth. The supply and demand of the populace must be harmoniously reconciled and considered to attain justifiable and equitable imposition of the electric distribution expenses to the consuming public.

SEC. 3. *Allowable System Loss that may be passed-on to the Consumers.* - Only rural electric cooperatives are hereby allowed to pass on systems losses to their consumers and only to the extent that these system losses result from design fault and technical loss as defined by the Energy Regulatory Commission (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 consumers.

For purposes of this Act, systems 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.

SEC. 4. *Exemption from Value-Added Tax (VAT).* - The imposition of system loss in the consumers' bills, although forming part of a rural cooperative's operating expenses, shall not be made subject to any value added tax (VAT) as provided in Section 108 of Republic Act No. 9337 or any amendments thereto.

SEC. 5. *Implementing Rules and Regulations.* - The Department of Energy, in consultation with TRANSCO and the ERC, shall promulgate the Implementing Rules Regulations that shall be necessary to carry out and implement the provisions of this Act within sixty days (60) from the effectivity of this Act.

SEC. 6. *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.

SEC. 7. *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.

SEC. 8. *Effectivity.* - This Act shall take effect fifteen days (15) after its complete publication in a newspaper of general circulation.

Approved,