



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

Twentieth Congress
Second Regular Session

HOUSE BILL NO. 10299



Introduced by Representative Lordan G. Suan

AN ACT
AMENDING SECTION 43(f) OF REPUBLIC ACT NO. 9136, OTHERWISE KNOWN AS
THE ELECTRIC POWER INDUSTRY REFORM ACT OF 2001, AND SECTION 10 OF
REPUBLIC ACT NO. 7832, OTHERWISE KNOWN AS THE ANTI-ELECTRICITY AND
ELECTRIC TRANSMISSION LINES/MATERIALS PILFERAGE ACT OF 1994, TO
PROHIBIT THE RECOVERY OF SYSTEM LOSSES FROM THE CONSUMERS

EXPLANATORY NOTE

The EPIRA Law mandates that every distribution utility shall identify and segregate the components of its retail rate. This unique provision allows consumers to identify the different charges in their electric bills. In the long list of charges, the system loss charge is the most contentious.

System loss refers to electricity generated but not received by the consumers. It may be a technical loss, which, to some degree, is unavoidable, or non-technical loss due to pilferage, meter tampering, illegal connections, or billing errors, which is preventable. Consumers pay for these losses as a system loss charge reflected in the electricity bill.

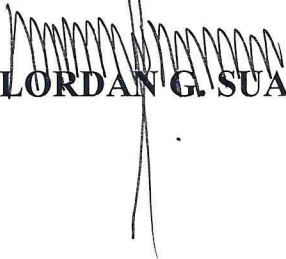
It is unjust to pay for the electricity you do not consume. It is an unfair business practice to shift the burden of loss to the consumer who has nothing to do with it. Electricity consumers are captive markets of distribution utilities. Despite being unjust or unfair, the practice may be, consumers have no choice but to connect to the grid. They have to swallow this bitter pill against their will.

Passing on of system loss to consumers runs contrary to the principles of business efficiency and accountability. Utilities should invest in infrastructure that minimizes if not eliminates, losses, and improve their enforcement and monitoring because most of these losses are avoidable and preventable.

System loss is an operational loss. The burden should not be passed on to the consumers.

This bill seeks to remove the system loss charge from consumers' electricity bills and mandates the ERC to close loopholes that would let utilities recover the cost through rate increases or concealment in other billing components.

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



LORDAN G. SUAN



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

SECTION 1. Section 43(f) of Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001, is hereby amended to read as follows:

SECTION 43. *Functions of the ERC.* – XXX

XXX

(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. **PROVIDED, THAT SYSTEM LOSSES, TECHNICAL OR NON-TECHNICAL, SHALL NOT BE RECOVERED FROM, CHARGED, OR PASSED ON TO THE CONSUMERS, DIRECTLY OR INDIRECTLY, AND SHALL BE TREATED AS OPERATIONAL LOSSES TO BE BORNE BY THE DISTRIBUTION ENTITIES AND ELECTRIC COOPERATIVES. PROVIDED FURTHER, THAT THE ERC SHALL SET AND ENFORCE EFFICIENCY PERFORMANCE STANDARDS AS A BASIS FOR THE RECOVERY OF OPERATIONAL COSTS.** 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~~ **REPEALED** 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 **CONSTRUED AS DISALLOWANCE OF SYSTEM LOSSES RECOVERY FROM THE CONSUMERS**. 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) XXX

(ii) XXX

(iii) In determining eligible cost of services that will be passed on to the end-users, the ERC shall establish minimum efficiency performance standards for the TRANSCO and distribution utilities, including systems losses, **TECHNICAL LOSS REDUCTION TARGETS**, interruption frequency rates, and collection efficiency;

(iv) XXX

(v) XXX

SECTION 2. Section 10 of Republic Act No. 7832, otherwise known as the Anti-Electricity and Electric Transmission Lines/Materials Pilferage Act of 1994, is hereby repealed to remove the cap on the recoverable rate of system losses and prohibit the recovery of system losses from the consumers, consistent with Section 1 of this Act.

SECTION 3. The ERC shall formulate compliance and monitoring mechanisms to ensure that system losses will not be charged against the consumers or passed on in the guise of a new charge or an increase in existing charges.

SECTION 4. *Implementing Rules and Regulations.* - Within ninety (90) days from the effectivity of this Act, the Energy Regulatory Commission, in consultation with relevant government agencies, power industry stakeholders, and consumers, shall formulate the necessary rules and regulations for the effective implementation of this Act.

SECTION 5. *Separability Clause.* - If any provision of this Act is declared invalid or unconstitutional, the provisions not hereby affected shall remain in full force and effect.

SECTION 6. *Repealing Clause.* - All laws, decrees, orders, rules and regulations or parts thereof, inconsistent with or contrary to the provisions of this Act are repealed, amended or modified accordingly.

SECTION 7. *Effectivity.* - This Act shall take effect fifteen (15) days from the date of its publication in the Official Gazette, or a website provided for by law.

Approved,