

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
Second Regular Session

HOUSE BILL NO. 10311



Introduced by: **REP. SALVADOR A. PLEYTO, SR.**

EXPLANATORY NOTE

Section 19, Article XII of the 1987 Constitution provides that the State shall regulate or prohibit monopolies when the public interest so requires. This constitutional mandate recognizes that industries operating as natural monopolies must be subject to greater regulatory oversight to ensure that the public is protected from unreasonable rates, unfair business practices, and the abuse of market power.

Electric distribution utilities (DUs) are natural monopolies. Within their respective franchise areas, consumers have no meaningful choice of electricity provider and cannot transfer to another distribution utility in response to poor service or excessive charges. This unique market structure imposes upon distribution utilities a corresponding obligation to operate efficiently, responsibly, and in the best interest of the consuming public.

For decades, however, electricity consumers have been required to pay system loss charges, amounts collected to recover electricity that was generated or purchased but was never delivered to, or consumed by, end-users. These charges are reflected as a separate item in consumers' monthly electricity bills and effectively require paying customers to shoulder losses incurred within the distribution system.

System loss generally consists of two categories.

1. Technical losses refer to the energy naturally dissipated during the transmission and distribution of electricity due to electrical resistance in power lines, transformers, and other distribution equipment. While some level of technical loss is inevitable, excessive losses often result from aging infrastructure, inadequate maintenance, delayed investments, or inefficient network design.
2. Non-technical losses, on the other hand, arise from electricity pilferage, meter tampering, illegal connections, inaccurate metering, billing errors, uncollected accounts, and other operational inefficiencies.

Under existing laws, including Republic Act No. 7832, otherwise known as the Anti-Electricity and Electric Transmission Lines/Materials Pilferage Act of 1994, and Republic Act No. 9136, or the Electric Power Industry Reform Act of 2001 (EPIRA), distribution utilities are permitted to recover a portion of these system losses from consumers, subject to caps prescribed by the Energy Regulatory Commission (ERC).

While these laws recognize that certain technical losses may occur in the normal operation of an electrical distribution network, allowing utilities to recover both technical and non-technical losses from consumers creates a policy imbalance. It effectively transfers to captive consumers costs that should ordinarily be borne by the distribution utility as part of its responsibility to operate an efficient, secure, and well-maintained distribution system.

In effect, consumers are made to pay not only for the electricity they actually use, but also for losses arising from outdated infrastructure, inadequate system investments, operational inefficiencies, electricity theft, billing inaccuracies, and weak enforcement measures against illegal connections. This diminishes the incentive for distribution utilities to modernize their networks, strengthen anti-pilferage programs, improve operational efficiency, and invest in technologies that minimize system losses.

This bill seeks to restore fairness and accountability by prohibiting the imposition and collection of system loss charges, whether technical or non-technical, from end-use electricity consumers.

Under the proposed measure, system losses shall be treated as ordinary costs of doing business and shall be absorbed by the distribution utilities themselves. Like other regulated enterprises operating under exclusive franchises, distribution utilities must bear the financial consequences of operational inefficiencies and should continuously invest in modern technologies, infrastructure upgrades, preventive maintenance, and loss-reduction programs to improve service quality and operational performance.

Ultimately, this measure upholds the constitutional policy of protecting the public from unreasonable charges imposed by monopoly utilities. It strengthens consumer protection, promotes greater operational efficiency within the power distribution sector, and encourages sustained investment in modern, reliable, and resilient electricity distribution systems

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



SALVADOR A. PLEYTO, SR.

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Introduced by: **REP. SALVADOR A. PLEYTO, SR.**

AN ACT
PROHIBITING THE COLLECTION OF SYSTEM LOSS CHARGES FROM
ELECTRICITY CONSUMERS, AMENDING FOR THE PURPOSE REPUBLIC
ACT NO. 9136 AND REPUBLIC ACT NO. 7832, AND FOR OTHER PURPOSES

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

SECTION 1. *Short Title.* – This Act shall be known as the "Anti-System Loss Charge Pass-Through Act."

SEC. 2. *Declaration of Policy* - It is the policy of the State to protect public interest, promote consumer welfare, and ensure that the price of electric power remains affordable, reasonable, and transparent. The State recognizes that electricity distribution utilities operate as public utilities enjoyed under exclusive franchises and must assume the ordinary commercial and operational risks inherent in power distribution, including energy loss and pilferage.

SEC. 3. *Prohibition on Passing On System Loss.* – No distribution utility, electric cooperative, or retail electricity supplier shall directly or indirectly impose, charge, or pass on any form of system loss charge—whether technical or non-technical—to end-use electricity consumers.

All power system losses incurred during transmission, conversion, or distribution shall be borne exclusively by the distribution utility or electric cooperative as part of their capital investment or operational expenses.

SEC. 4. *Unbundling and Itemization in Monthly Billing.* - Within sixty (60) days from the effectivity of this Act, all distribution utilities and electric cooperatives shall modify their billing statements to explicitly eliminate the "System Loss Charge" itemized line. The Energy Regulatory Commission (ERC) shall ensure that system loss costs are not embedded or hidden under any other tariff component.

SEC. 5. *Penalties* – Any officer, director, or employee of a distribution utility, electric cooperative, or power entity found violating Section 3 or Section 4 of this Act shall be subject to the following penalties:

1. First Offense: A fine of not less than Five Million Pesos (₱5,000,000.00) but not exceeding Ten Million Pesos (₱10,000,000.00), and full reimbursement/refund of all prohibited charges collected from affected consumers with legal interest;

2. Second Offense: A fine of not less than Ten Million Pesos (₱10,000,000.00) but not exceeding Twenty Million Pesos (₱20,000,000.00), and suspension of executive officers for six (6) months;
3. Third Offense: Recommendation by the ERC to Congress for the revocation of the entity's legislative franchise, alongside administrative fines and criminal liability under applicable laws.

SEC. 6. *Implementing Rules and Regulations (IRR).* - Within sixty (60) days from the effectivity of this Act, the Energy Regulatory Commission (ERC), in consultation with the Department of Energy (DOE) and national consumer protection groups, shall promulgate the necessary rules and regulations for the effective implementation of this Act.

SEC. 7. *Separability Clause.* - If any portion or provision of this Act is declared invalid or unconstitutional, the remaining parts or provisions not affected thereby shall remain in full force and effect.

SEC. 8. *Repealing Clause.* - Section 10 of Republic Act No. 7832, provisions of Republic Act No. 9136 (EPIRA), and all other laws, executive orders, administrative orders, rules, and regulations inconsistent with the provisions of this Act are hereby repealed, amended, or modified accordingly.

SEC. 9. *Effectivity.* - This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in at least two (2) newspapers of general circulation.

Approved,