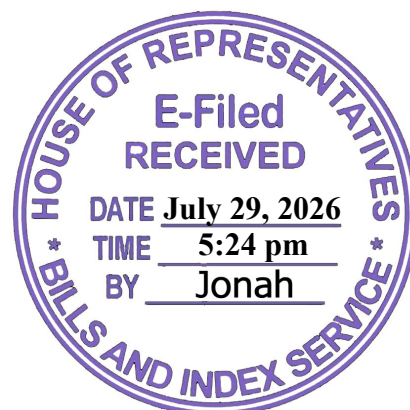




Republic of the Philippines
HOUSE OF REPRESENTATIVES
Batasan Hills, Quezon City

TWENTIETH CONGRESS
Second Regular Session

HOUSE BILL NO. 10405



Introduced by 4Ps Partylist Representative
JC M. ABALOS

EXPLANATORY NOTE

*"...panahon na para tanggalin na natin ang system loss na pinapasa sa consumer... Hindi naman kasalanan ng consumer kung bakit nagkaroon ng system loss... therefore, we, the people, request – no, we **demand** for the **immediate amendment of the EPIRA**, and to prohibit charging system loss against consumers including the value-added tax thereon..."*

-President Ferdinand Marcos, Jr., SONA 2026

Republic Act (RA) No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA), was enacted to ensure a quality, reliable, secure, and affordable supply of electricity through reforms in the electric power industry. Distribution utilities are currently allowed, as part of their framework, to recover a portion of their system losses subject to prescribed caps set by the Energy Regulatory Commission (ERC).

System losses are the difference between the electricity purchased by a distribution utility and the electricity actually delivered and billed to consumers. These losses include both technical losses, which naturally occur during transmission and distribution, and non-technical losses arising from electricity pilferage, illegal connections, meter tampering, fraud, billing errors, and operational inefficiencies.¹ Moreover, EPIRA, RA No. 7832 (Anti- Electricity and Electric Transmission Lines/Materials Pilferage Act of 1994, and ERC guidelines regulate the recovery of system loss.

Notwithstanding the regulatory caps imposed by ERC on recoverable system losses, Filipino consumers continue to bear the financial burden of electricity they neither received nor consumed. The current framework effectively transfers to consumers costs arising from circumstances largely beyond their control.²

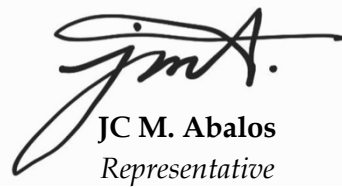
¹ <https://www.rappler.com/business/explainer-what-system-loss-affect-power-bill/>

² <https://bworldonline.com/corporate/2022/03/16/436190/napocor-seeks-erc-nod-to-use-p335m-for-watersheds/>

President Ferdinand “Bongbong” R. Marcos Jr., in his 2026 State of the Nation Address (SONA), urged Congress to amend the EPIRA to remove system loss charges from consumers' electricity bills. He emphasized that consumers should not be made to pay for electricity that never reached their homes or businesses.

Sharing the same vision with the President, this Representation believes that this measure shall address the plight of our constituents in carrying the burden of the system loss. This bill seeks to amend the EPIRA to prohibit the recovery of system loss charges from end-users, strengthen the accountability of distribution utilities, intensify anti-electricity pilferage measures, and reinforce the regulatory powers of the ERC to ensure greater efficiency, transparency, and consumer protection.

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



JC M. Abalos
Representative
4Ps Partylist



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HOUSE BILL NO. 10405

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**AN ACT PROTECTING ELECTRICITY CONSUMERS BY PROHIBITING THE
PASS-ON OF SYSTEM LOSS CHARGES, STRENGTHENING THE
ACCOUNTABILITY OF DISTRIBUTION UTILITIES FOR SYSTEM LOSSES,
AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 9136, OTHERWISE
KNOWN AS THE "ELECTRIC POWER INDUSTRY REFORM ACT OF 2001 OR
EPIRA," 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 "Electricity
Consumer Protection Against System Loss Charges Act."

SEC. 2. Declaration of Policy.- It is hereby declared the policy of the State to
protect electricity consumers against unreasonable and unnecessary charges and
ensure that consumers pay only for electricity actually delivered to them. The State
shall encourage distribution utilities to improve operational efficiency and
modernize their distribution systems, strengthen transparency and accountability in
the electric power industry, and promote a reliable, affordable, and sustainable
supply of electricity.

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

a) *System Loss* refers to the difference between net power purchased or
generated and total sales, expressed as a percentage of net power purchased or
generated. It includes both technical and non-technical losses.

b) *Technical Loss* refers to the power consumed by the equipment and that is
lost in the lines of the distribution system.

c) *Non-Technical Loss* refers to losses that are not inherent in the distribution system, such as electricity pilferage, meter tampering, and other fraud.

d) *Distribution Utility (DU)* shall refer to any electric cooperative, private distribution utility, or local government unit that operates a distribution system.

e) *Energy Regulatory Commission (ERC)* refers to the independent regulatory body created under Republic Act No. 9136.

SEC 4. Section 40 of the EPIRA is hereby amended to read as follows:

“UNDER THE DISTRIBUTION RATE STRUCTURE, THE COMPONENTS OF THE DISTRIBUTION CHARGE MAY INCLUDE, BUT NOT BE LIMITED TO, RETURN ON CAPITAL, OPERATING AND MAINTENANCE COSTS, AND OTHER CHARGES AUTHORIZED BY LAW: PROVIDED, THAT SYSTEMS LOSSES SHALL NOT BE INCLUDED AS RECOVERABLE OR SEPARATELY BILLABLE COMPONENT FROM CONSUMERS; THE SAME SHALL BE TREATED AS PART OF THE OPERATING COSTS OF THE DISTRIBUTION UTILITY AND SHALL BE SUBJECT TO THE ERC-IMPOSED EFFICIENCY AND LOSS-REDUCTION STANDARDS.”

SEC. 5. Section 43 (f) of the EPIRA is hereby amended to read as follows:

“(f) THE POWER TO FIX CHARGES FOR DISTRIBUTION UTILITIES, TRANSMISSION UTILITIES AND SUPPLIERS, SUBJECT TO SUCH RULES AND REGULATIONS AS THE ERC MAY PROMULGATE: PROVIDED, THAT NO DISTRIBUTION UTILITY SHALL BE ALLOWED TO RECOVER SYSTEM LOSSES AS A SEPARATE CHARGE FROM CONSUMERS; SYSTEM LOSSES SHALL BE TREATED AS AN OPERATING COST OF THE DISTRIBUTION UTILITY AND SHALL BE MANAGED WITHIN THE ERC-APPROVED EFFICIENCY AND LOSS-REDUCTION FRAMEWORK.”

SEC. 6. Section 60 of the EPIRA is hereby amended to read as follows:

“ELECTRIC COOPERATIVES THAT ARE MEMBERS OF THE DISTRIBUTION UTILITIES’ SYSTEM SHALL MEET THE LOSS-REDUCTION OF TECHNICAL AND NON-TECHNICAL LOSSES, AND SHALL BEAR THE SAME AS PART OF THEIR OPERATING COSTS: PROVIDED, THAT SUCH LOSSES SHALL NOT BE PASSED ON AS A SEPARATE CHARGE TO CONSUMERS. COMPLIANCE WITH THESE TARGETS SHALL BE REFLECTED IN THE ELECTRIC COOPERATIVES’ PERFORMANCE-IMPROVEMENT PLANS AND SHALL BE SUBJECT TO THE ERC’S MONITORING AND ENFORCEMENT MECHANISMS.”

SEC. 7. *Prohibition Against Recovery of System Loss Charges.*- Upon the implementation of this Act, no Distribution Utility shall impose, recover, or collect

any amount representing system loss charges from residential, commercial, industrial, or other end-users.

Any contractual stipulation, tariff, rule, or ERC approval inconsistent with this provision shall be deemed modified accordingly.

SEC. 8. *Responsibility of Distribution Utilities.*- Every Distribution Utility (DU) shall reduce technical losses, modernize distribution facilities and install smart grid technologies. Each DUs shall also replace obsolete transformers and conductors, implement an effective anti-electricity pilferage program and improve metering systems. DUs shall maintain distribution efficiency consistent with internationally accepted standards.

SEC. 9. *System Loss Reduction Plan.*- Within one hundred eighty (180) days from the effectivity of this Act, every Distribution Utility shall submit to the ERC a five-year System Loss Reduction Plan which contains the following, to wit:

- a) baseline system loss;
- b) yearly reduction targets;
- c) modernization projects;
- d) capital investments;
- e) anti-pilferage measures; and
- f) implementation timetable.

Failure to comply shall constitute a regulatory violation.

SEC. 10. *Annual Performance Audit.* - The ERC shall annually audit every Distribution Utility's technical losses, non-technical losses as well as their infrastructure investments, compliance with reduction targets and consumer complaints relating to billing.

SEC. 11. *Transparency in Billing.*- Electric bills shall clearly indicate generation charge transmission, charge distribution, charge taxes, universal charges, and other ERC-approved charges. No line item labelled "System Loss Charge" or its equivalent shall appear on consumer bills.

The audit results shall be likewise published on the ERC website.

SEC. 12. *Billing Adjustment.*- Any system loss charge collected after the effectivity of this Act shall be automatically deducted from the succeeding billing statement of consumers.

SEC. 13. *Strengthened Anti-Electricity Pilferage Program.*- Nothing in this Act shall diminish the liability of persons committing electricity pilferage under Republic Act No. 7832.

Distribution Utilities shall intensify enforcement in coordination with the Department of Energy, the Energy Regulatory Commission (ERC), the Philippine National Police (PNP), the National Bureau of Investigation (NBI), and local government units (LGUs).

SEC. 14. *Duties of the Energy Regulatory Commission.*- The ERC shall conduct regular audits, verify actual system losses, require corrective action plans, impose administrative sanctions, issue consumer advisories, and require public disclosure of utility performance.

SEC. 15. *Penalties for Non-Compliance.* - Any Distribution Utility that fails to comply with the provisions of this Act shall be subject to the following penalties, to be determined and imposed by the ERC:

- a. A fine of not less than Five Hundred Thousand Pesos (P500,000.00) but not more than Five Million Pesos (P5,000,000.00) per violation; and
- b. Revocation of the Distribution Utility's certificate of public convenience and necessity after three (3) consecutive years of non-compliance, as determined by the ERC.

SEC. 16. *Implementing Rules and Regulations.* - Within ninety (90) days from the effectivity of this Act, the ERC, in consultation with the Department of Energy (DOE), and other relevant stakeholders, shall promulgate the necessary rules and regulations for the effective implementation of the provisions of this Act.

SEC. 17. *Repealing Clause.*- All laws, executive issuances, ERC resolutions, rules, and regulations inconsistent with this Act are hereby repealed or modified accordingly.

SEC. 18. *Separability Clause.*- If any provision of this Act is declared invalid or unconstitutional, the other provisions not affected thereby shall remain in full force and effect.

SEC. 19. *Effectivity.* - This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,