

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
Second Regular Session

House Bill No. 10430



**Introduced by Honorable Faustino "Bojie" G. Dy III and
Honorable Ferdinand Alexander A. Marcos**

EXPLANATORY NOTE

Republic Act No. 9136, or the *Electric Power Industry Reform Act of 2001 (EPIRA)*, restructured the Philippine electric power industry and adopted a policy of ensuring reliable, secure, and affordable electricity through a competitive framework. Section 43(f) of the EPIRA allow distribution utilities to recover costs from consumers necessary for the delivery of electricity, including system losses which covers both technical and non-technical losses.

While the Energy Regulatory Commission (ERC) has prescribed distribution system loss caps, it cannot be denied that the Filipino consumers continue to bear such losses that are, to a significant extent, beyond their control.

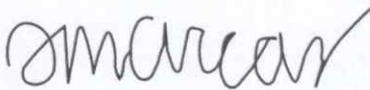
The policy of allowing consumers to shoulder system losses effectively shifts to the public at the cost of operational inefficiencies and losses incurred by distribution utilities. Although technical losses are inherent in the physical delivery of electric energy, these should be minimized through continuous investments in modern infrastructure, efficient technologies, and sound operational practices. Likewise, non-technical losses arising from pilferage, meter reading errors, meter tampering, and any energy loss that is not related to the physical characteristics and functions of the electric system are matters that fall within the responsibility and control of distribution utilities and should not be passed on to paying consumers.

Recognizing the need to reduce the burden of high electricity costs on Filipino families, the abolition of the system loss was identified by President Ferdinand R. Marcos Jr. as a priority measure in his 2026 State of the Nation Address (SONA). Consistent with this policy direction, this measure seeks to prohibit the recovery of system loss from consumers. Abolishing the system loss charge will promote greater accountability among power distributors, incentivize investments in loss-reduction measures, and provide meaningful relief to Filipino consumers by eliminating a charge that should properly be borne by the entities responsible for managing and operating the distribution network.

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



FAUSTINO "BOJIE" G. DY III



FERDINAND ALEXANDER A. MARCOS

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1 **"AN ACT**
2 **REMOVING SYSTEMS LOSS AS A SEPARATE COMPONENT OF ELECTRICITY**
3 **BILLS, EMPOWERING THE ENERGY REGULATORY COMMISSION TO**
4 **DETERMINE THE COSTS THAT MAY BE RECOVERED AS PART OF**
5 **DISTRIBUTION SERVICE, AMENDING FOR THE PURPOSE REPUBLIC ACT**
6 **NO. 9136, OTHERWISE KNOWN AS THE "ELECTRIC POWER INDUSTRY**
7 **REFORM ACT OF 2001"**

8
9 *Be it enacted by the Senate and House of Representatives of the Philippines in*
10 *Congress assembled:*

11
12 **SECTION 1. Short Title.** – This Act shall be known as the "Systems Loss Charge
13 Abolition Act."

14
15 **SEC. 2. Declaration of Policy.** – It is hereby declared the policy of the State to
16 protect electricity consumers from charges arising from theft, inefficiency, negligence,
17 and other causes within the control of distribution utilities, while allowing the recovery
18 of only prudent and reasonable costs necessarily incurred in the efficient delivery of
19 electricity.

20
21 **SEC. 3. Amendment of Section 25 of Republic Act No. 9136.** – Section 25 of
22 Republic Act No. 9136 is hereby amended to read as follows:

23 "SEC. 25. Retail Rate. – The retail rates charged by
24 distribution utilities for the supply of electricity in their captive
25 market shall be subject to regulation by the ERC based on the
26 principle of full recovery of prudent and reasonable economic costs

1 incurred, or such other principles that will promote efficiency as
2 may be determined by the ERC.

3 "Every distribution utility shall identify and segregate in its
4 bills to end-users the components of the retail rate, as defined in
5 this Act: **PROVIDED, THAT "NO DISTRIBUTION UTILITY**
6 **SHALL RECOVER DISALLOWED SYSTEM LOSSES THROUGH**
7 **DISTRIBUTION WHEELING CHARGES, SUPPLY CHARGES,**
8 **METERING CHARGES, UNIVERSAL CHARGES, SUBSIDIES,**
9 **OR ANY OTHER ITEM IN THE BILL."**

10
11 **SEC. 4.** *Amendment of Paragraph (f) of Section 43 of Republic Act No. 9136.*
12 – Paragraph (f) of Section 43 of Republic Act No. 9136 is hereby amended to read as
13 follows:

14 "SEC. 43. Functions of the ERC. – The ERC shall promote
15 competition, encourage market development, ensure customer
16 choice, and penalize abuse of market power in the restructured
17 electricity industry. In appropriate cases, the ERC is authorized to
18 issue cease and desist orders after due notice and hearing.

19 "Towards this end, it shall be responsible for the following key
20 functions in the restructured industry:

21 "xxx

22 "(f) In the public interest, establish and enforce a
23 methodology for setting transmission and distribution wheeling
24 rates and retail rates for the captive market of a distribution utility,
25 taking into account all relevant considerations, including the
26 efficiency or inefficiency of the regulated entities.

27
28 **"THE ERC SHALL DETERMINE THE EXTENT TO WHICH**
29 **THE COST OF ELECTRICITY NECESSARILY CONSUMED IN**
30 **THE EFFICIENT OPERATION OF A DISTRIBUTION SYSTEM**
31 **MAY BE RECOVERED AS PART OF THE DISTRIBUTION**
32 **WHEELING CHARGE.**

33 **"NO COST ATTRIBUTABLE TO ILLEGAL USE OF**
34 **ELECTRICITY OR ELECTRICITY THEFT, THEFT OR**
35 **DESTRUCTION OF ELECTRIC POWER LINE, EQUIPMENT,**
36 **OR MATERIAL, DEFECTIVE OR INACCURATE METERING,**
37 **BILLING OR COLLECTION DEFICIENCIES, INADEQUATE**
38 **MAINTENANCE, INEFFICIENT OPERATIONS, NEGLIGENCE,**
39 **OR OTHER CAUSES REASONABLY WITHIN THE CONTROL**

1 **OF THE DISTRIBUTION UTILITY SHALL BE RECOVERED**
2 **FROM END-USERS.**

3 **"THE ERC SHALL PROVIDE FOR THE PHASED**
4 **IMPLEMENTATION OF THIS PARAGRAPH, TAKING INTO**
5 **ACCOUNT CONSUMER PROTECTION, THE RELIABILITY OF**
6 **ELECTRIC SERVICE, AND THE VIABILITY OF**
7 **DISTRIBUTION UTILITIES: PROVIDED, THAT THE**
8 **TRANSITION SHALL BE TIME-BOUND AND SHALL REQUIRE**
9 **THE PROGRESSIVE REDUCTION OF COSTS RECOVERABLE**
10 **FROM END-USERS.**

11 "The rates must be such as to allow the recovery of just and
12 reasonable costs and a reasonable return on rate base to enable
13 the entity to operate viably. The ERC may adopt alternative forms
14 of internationally accepted rate-setting methodology as it may
15 deem appropriate. The rate-setting methodology so adopted and
16 applied must ensure a reasonable price of electricity. The rates
17 prescribed shall be non-discriminatory.

18 "The ERC shall determine such form or rate-setting
19 methodology which shall promote efficiency.

20 "In case the rate-setting methodology used is return on rate
21 base, it shall be subject to the following guidelines:

22 "xxx

23 "(iii) In determining eligible costs of services that will be
24 passed on to end-users, the ERC shall establish minimum efficiency
25 performance standards for distribution utilities, including
26 interruption frequency rates and collection efficiency;

27 "xxx."

28
29 **SEC. 5. *Implementing Rules and Regulations.*** – Within ninety (90) days from
30 the effectivity of this Act, the ERC, in consultation with the Department of Energy,
31 distribution utilities, consumer groups, and other stakeholders, shall promulgate the
32 rules and regulations necessary for its implementation.

33 The rules shall provide for the determination of prudent and reasonable costs
34 necessarily incurred in the efficient operation of distribution systems, the disallowance
35 of costs attributable to causes within the control of distribution utilities, and a phased
36 transition not exceeding three (3) years from the effectivity of the rules.

1 **SEC. 6. *Separability Clause.*** – If any provision of this Act is declared
2 unconstitutional or invalid, the other provisions not affected thereby shall remain in
3 full force and effect.

4
5 **SEC. 7. *Repealing Clause.*** – Section 12 of Republic Act No. 7832 and all laws,
6 decrees, executive orders, rules and regulations, and other issuances or parts thereof
7 inconsistent with this Act are hereby repealed, amended, or modified accordingly.

8
9 **SEC. 8. *Effectivity.*** – This Act shall take effect fifteen (15) days after its
10 publication in the Official Gazette or in a newspaper of general circulation.

11
12 *Approved,*