

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

Twentieth Congress
Second Regular Session

HOUSE BILL NO **10457**



Introduced by **Representative RAYMOND ADRIAN SALCEDA**

AN ACT
REMOVING SYSTEMS LOSS AS A SEPARATE COMPONENT OF ELECTRICITY
BILLS, EMPOWERING THE ENERGY REGULATORY COMMISSION TO
DETERMINE THE COSTS THAT MAY BE RECOVERED AS PART OF
DISTRIBUTION SERVICE, AMENDING FOR THE PURPOSE REPUBLIC ACT
NO. 9136, OTHERWISE KNOWN AS THE “ELECTRIC POWER INDUSTRY
REFORM ACT OF 2001”

EXPLANATORY NOTE

The rising cost of electricity continues to place a heavy financial burden on Filipino households, particularly at a time when families are already grappling with increasing prices of basic goods and services. Every peso saved on monthly utility expenses can help ease the strain on household budgets.

Under Republic Act No. 9136, otherwise known as the *Electric Power Industry Reform Act of 2001 (EPIRA)*, distribution utilities are allowed to recover from consumers certain costs necessary for the delivery of electricity, including system losses.

These system losses consist of technical losses arising from the natural dissipation of energy during transmission and distribution, as well as non-technical losses resulting from electricity theft, faulty meters, billing errors, and other inefficiencies.

Although the Energy Regulatory Commission (ERC) has prescribed caps on recoverable system losses, Filipino consumers continue to shoulder costs that are largely beyond their control.

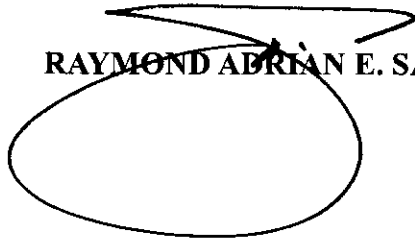
Consumers should not be made to bear the cost of electricity that is lost due to technical inefficiencies or, worse, unlawful activities such as illegal connections and electricity pilferage. These losses are more appropriately addressed through improved infrastructure investments,

enhanced operational efficiency, stricter enforcement against electricity theft, and better management by distribution utilities.

This measure seeks to amend the Electric Power Industry Reform Act of 2001 by removing the authority of distribution utilities to pass system loss charges, together with the corresponding VAT, to consumers. By ensuring that households pay only for the electricity they actually consume, this bill promotes fairness, strengthens consumer protection, and provides much-needed financial relief amid the continuing rise in the cost of living.

The reform would provide meaningful relief to millions of Filipino families by reducing electricity expenses while encouraging greater accountability and efficiency within the power distribution sector.

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



RAYMOND ADRIAN E. SALCEDA

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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 “Systems Loss Charge Abolition Act.”

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

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

“SEC. 25. Retail Rate. – The retail rates charged by distribution utilities for the supply of electricity in their captive market shall be subject to regulation by the ERC based on the principle of full recovery of prudent and reasonable economic costs incurred, or such other principles that will promote efficiency as may be determined by the ERC.

“Every distribution utility shall identify and segregate in its bills to end-users the components of the retail rate, as defined in this Act:

PROVIDED, THAT “NO DISTRIBUTION UTILITY SHALL RECOVER DISALLOWED SYSTEM LOSSES THROUGH DISTRIBUTION WHEELING CHARGES, SUPPLY CHARGES, METERING CHARGES, UNIVERSAL CHARGES, SUBSIDIES, OR ANY OTHER ITEM IN THE BILL.”

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

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

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

“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 ERC SHALL DETERMINE THE EXTENT TO WHICH THE COST OF ELECTRICITY NECESSARILY CONSUMED IN THE EFFICIENT OPERATION OF A DISTRIBUTION SYSTEM MAY BE RECOVERED AS PART OF THE DISTRIBUTION WHEELING CHARGE.

“NO COST ATTRIBUTABLE TO ILLEGAL USE OF ELECTRICITY OR ELECTRICITY THEFT, THEFT OR DESTRUCTION OF ELECTRIC POWER LINE, EQUIPMENT, OR MATERIAL, DEFECTIVE OR INACCURATE METERING, BILLING OR COLLECTION DEFICIENCIES, INADEQUATE MAINTENANCE, INEFFICIENT OPERATIONS, NEGLIGENCE, OR OTHER CAUSES REASONABLY WITHIN THE CONTROL OF THE DISTRIBUTION UTILITY SHALL BE RECOVERED FROM END-USERS.

“THE ERC SHALL PROVIDE FOR THE PHASED IMPLEMENTATION OF THIS PARAGRAPH, TAKING INTO ACCOUNT CONSUMER PROTECTION, THE RELIABILITY OF ELECTRIC SERVICE, AND THE VIABILITY OF DISTRIBUTION

UTILITIES: PROVIDED, THAT THE TRANSITION SHALL BE TIME-BOUND AND SHALL REQUIRE THE PROGRESSIVE REDUCTION OF COSTS RECOVERABLE FROM END-USERS.

“The rates must be such as to allow the recovery of just and reasonable costs and a reasonable return on rate base 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.

“The ERC shall determine such form or rate-setting methodology which shall promote efficiency.

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

“xxx

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

“xxx.”

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

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

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

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

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

Approved,