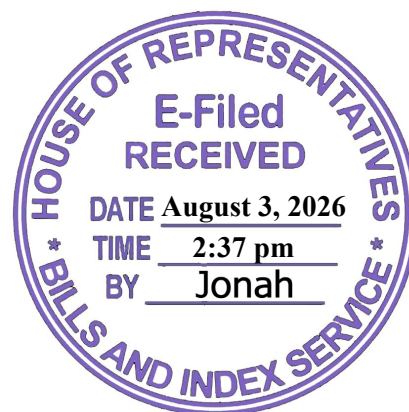


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

TWENTIETH CONGRESS
Second Regular Session

HOUSE BILL NO. 10512



Introduced by
HON. ATTY. GERVILLE "JINKY BITRICS" R. LUISTRO

EXPLANATORY NOTE

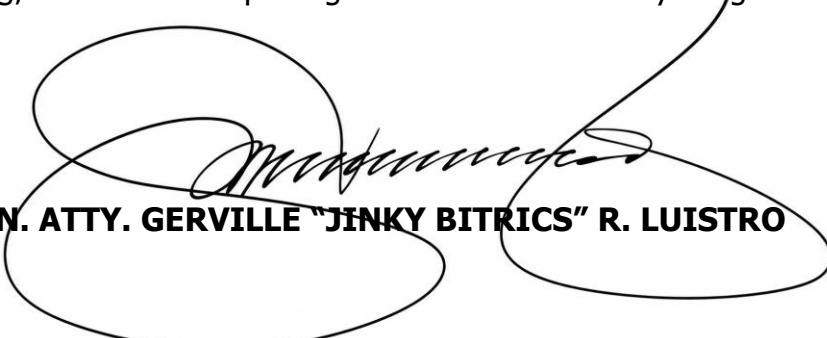
Electricity is an essential public service indispensable to every Filipino household. However, millions of residential consumers continue to bear the burden of Net System Loss Charges, a component of electricity bills that represents the cost of electricity lost during transmission and distribution due to technical inefficiencies and non-technical losses such as pilferage, theft, meter tampering, and other unauthorized use.

While some technical losses are unavoidable, requiring ordinary consumers to shoulder the financial consequences of inefficiencies and illegal activities beyond their control undermines the principles of fairness and consumer protection. Distribution utilities possess the authority, technical capability, and regulatory responsibility to reduce system losses through infrastructure modernization, anti-electricity theft programs, improved monitoring systems, and efficient network management.

This measure recognizes that consumers should only pay for the electricity they actually consume and should not be made financially responsible for losses arising from the operation or management of the power distribution system.

Accordingly, this bill prohibits the imposition of Net System Loss Charges on residential electricity consumers while encouraging distribution utilities to improve operational efficiency and reduce wastage.

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


HON. ATTY. GERVILLE "JINKY BITRICS" R. LUISTRO

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HOUSE BILL NO. 10512

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AN ACT
PROHIBITING THE PASSING ON OF NET SYSTEM LOSS CHARGES TO
RESIDENTIAL ELECTRICITY CONSUMERS, REQUIRING DISTRIBUTION
UTILITIES TO ABSORB SUCH LOSSES AS PART OF THEIR COST OF DOING
BUSINESS, AND FOR OTHER PURPOSES

1 *Be it enacted by the Senate and House of Representatives of the Philippines in*
2 *Congress assembled:*
3

4 **SECTION 1. Short Title.** - This Act shall be known as the "**Residential**
5 **Consumers' Protection Against Net System Loss Charges Act.**"
6

7 **SECTION 2. Declaration of Policy.** - It is hereby declared the policy of the
8 State to protect residential electricity consumers from unreasonable and unjust
9 charges, and to ensure that electricity rates are fair, transparent, and based solely on
10 the actual electricity consumed. Toward this end, the State shall promote efficiency,
11 accountability, and sound management among distribution utilities in reducing both
12 technical and non-technical system losses, while encouraging continued investments
13 in modern, reliable, and efficient distribution infrastructure that minimizes electricity
14 losses and enhances the quality of electric service.
15

16 **SECTION 3. Definition of Terms.** - For purposes of this Act:
17

18 (a) **Net System Loss** - the difference between the total electricity purchased
19 or received by a distribution utility and the electricity actually delivered and
20 billed to consumers after accounting for allowable technical and non-technical
21 losses, as determined by the Energy Regulatory Commission (ERC).
22

23 (b) **Distribution Utility (DU)** - any electric cooperative, private distribution
24 utility, or entity authorized to operate a distribution system under existing laws.
25

1 (c) **Residential Consumer** - any end-user receiving electricity primarily for
2 household or domestic purposes.

3
4 **SECTION 4. Prohibition Against Charging Net System Loss to**
5 **Residential Consumers.** - Notwithstanding any law, rule, regulation, franchise, or
6 ERC issuance to the contrary, no distribution utility shall impose, collect, recover, or
7 pass on any Net System Loss Charge, whether technical or non-technical, to residential
8 electricity consumers.

9
10 Residential electricity bills shall not contain any itemized or embedded charge
11 attributable to Net System Loss.

12
13 **SECTION 5. Responsibility of Distribution Utilities.** - Distribution utilities
14 shall absorb the costs associated with system losses as part of their operational
15 expenses and shall implement measures to reduce such losses, including but not
16 limited to:

17 (a) Modernization of distribution facilities;

18 (b) Upgrading of substations and transmission equipment under their control;

19 (c) Deployment of advanced metering infrastructure;

20 (d) Strengthening anti-electricity theft programs;

21 (e) Regular maintenance of distribution systems; and

22 (f) Other efficiency-enhancing measures approved by the Energy Regulatory
23 Commission.

24
25 **SECTION 6. Transparency in Billing.** - Distribution utilities shall clearly state
26 in every residential electricity bill that no Net System Loss Charge has been imposed
27 pursuant to this Act.

28 The ERC shall prescribe the standard disclosure statement to be printed on all
29 residential electricity bills.

30
31 **SECTION 7. Regulatory Oversight.** - The Energy Regulatory Commission
32 shall:

33 (a) Ensure compliance with this Act;

34 (b) Conduct periodic audits of distribution utilities regarding system losses;

35 (c) Require annual reports on loss reduction programs and infrastructure
36 investments;

37 (d) Impose administrative sanctions for violations of this Act.

38
39 **SECTION 8. Consumer Complaints.** - Any residential consumer who is
40 charged Net System Loss in violation of this Act may file a complaint before the ERC.

1 The ERC shall resolve such complaints within sixty (60) days from filing.

2
3 Any amount illegally collected shall be refunded to the affected consumer with
4 legal interest.

5
6 **SECTION 9. Prohibited Acts.** - It shall be unlawful for any distribution utility
7 to:

8 (a) Directly impose Net System Loss Charges on residential consumers;

9
10 (b) Conceal such charges under another billing component;

11
12 (c) Circumvent this Act through indirect billing mechanisms; or

13
14 (d) Refuse to comply with ERC directives issued pursuant to this Act.

15
16 **SECTION 10. Penalties.** - Any distribution utility found guilty of violating this
17 Act shall be subject to:

18 (a) An administrative fine of not less than ₱5,000,000.00 but not more than
19 ₱50,000,000.00 for every violation;

20
21 (b) Refund of all illegally collected charges with legal interest;

22
23 (c) Additional sanctions that may include suspension or revocation of licenses
24 or franchises, subject to applicable laws.

25
26 The imposition of administrative penalties shall be without prejudice to civil or
27 criminal liability under existing laws.

28
29 **SECTION 11. Implementing Rules and Regulations.** - Within ninety (90)
30 days from the effectivity of this Act, the Energy Regulatory Commission, in
31 consultation with the Department of Energy and consumer groups, shall promulgate
32 the necessary rules and regulations for its implementation.

33
34 **SECTION 15. Separability Clause.** - If any provision of this Act is declared
35 unconstitutional or invalid, the remaining provisions not affected thereby shall remain
36 in full force and effect.

37
38 **SECTION 16. Repealing Clause.** - All laws, decrees, executive orders, rules
39 and regulations, ordinances, and other issuances or parts thereof inconsistent with
40 the provisions of this Act are hereby repealed, amended, or modified accordingly.

41
42 **SECTION 17. Effectivity.** - This Act shall take effect fifteen (15) days after
43 its publication in the Official Gazette or in a newspaper of general circulation.

44
45 Approved,