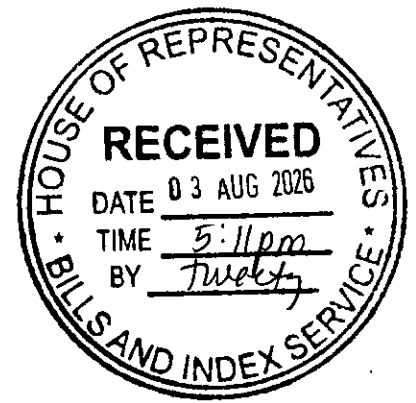


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
Second Regular Session

HOUSE BILL NO. 10538



Introduced by: Hon. Keith Micah "Atty. Mike" D.L. Tan

AN ACT

PROTECTING CONSUMERS FROM UNJUST ELECTRICITY BILLING BY PROHIBITING PRIVATE DISTRIBUTION UTILITIES FROM PASSING ON SYSTEM LOSSES, RATIONALIZING AND REDUCING THE SYSTEM LOSS CAP FOR ELECTRIC COOPERATIVES, AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 7832, OTHERWISE KNOWN AS THE "ANTI-ELECTRICITY AND ELECTRIC TRANSMISSION LINES/MATERIALS PILFERAGE ACT OF 1994", AS AMENDED, AND REPUBLIC ACT NO. 9136, OTHERWISE KNOWN AS THE "ELECTRIC POWER INDUSTRY REFORM ACT (EPIRA) OF 2001"

EXPLANATORY NOTE

In his latest State of the Nation Address, President Ferdinand R. Marcos Jr. directed Congress to amend Republic Act No. 9136, or the Electric Power Industry Reform Act of 2001 (EPIRA), to address a longstanding injustice in electricity billing. For decades, Filipino consumers have paid for electricity they never used. Under Republic Act No. 7832, distribution utilities can routinely pass the cost of lost power, whether through technical line leaks, administrative oversights, or power theft, directly to retail end-users. Making matters worse, this unconsumed energy is even hit with a 12% Value-Added Tax. This setup shields utilities from financial risk and leaves households paying for operational failures beyond their control.

System loss stems from two issues: technical losses from heat and aging infrastructure; and non-technical losses from meter tampering and line pilferage. Neither reflects actual consumer usage. Private Distribution Utilities (PDUs) hold exclusive public franchises and earn guaranteed returns on their investments. Their operational inefficiencies and failure to curb power theft belong in their corporate operating expenses, not on consumer bills.¹ Forcing PDUs to absorb these costs creates a clear financial incentive for them to fix aging lines, install smart meters, and go after illegal connections.

At the same time, policy must account for the reality on the ground. Unlike private utilities, Rural Electric Cooperatives (RECs) are non-profit organizations operating across wide, difficult terrain with limited capital. Stripping their loss caps overnight would compromise their financial stability. To prevent this, this proposed legislative measure

¹ Philippine Information Agency. (2026, July 27). *25 years of EPIRA and the legal fight to remove system loss from electricity bills*. <https://pia.gov.ph/news/25-years-of-epira-and-the-legal-fight-to-remove-system-loss-from-electricity-bills/>

sets a phased transition for RECs, lowering their system loss cap from 14% to 5% over three years—10% in Year 1, 7% in Year 2, and 5% in Year 3. It also connects RECs to modernization grants and concessional loans through the National Electrification Administration (NEA) to help them fund network upgrades.

By stopping pass-through losses for private utilities, and setting manageable targets for rural co-ops, this bill seeks to bring direct financial relief to electricity consumers.

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

A handwritten signature in black ink, appearing to read 'Keith Tan', with a stylized flourish at the end.

Keith Micah "Atty. Mike" D.L. Tan
4th District, Quezon

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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 "Fair Electricity Billing and System Loss Reduction Act."

SEC. 2. *Declaration of Policy.* — It is the policy of the State to protect public interest, promote consumer welfare, and ensure the affordability of electric power. Towards this end, the State shall compel distribution utilities to achieve higher operational, technical, and economic efficiency by eliminating the practice of passing unrecoverable technical, non-technical, and administrative system losses onto retail end-users, and preventing double taxation on energy distribution inefficiencies.

SEC. 3. *Prohibition and Cap on System Loss Charges.* — Section 10 of Republic Act No. 7832, as amended, otherwise known as the "Anti-Electricity and Electric Transmission Lines/Materials Pilferage Act of 1994," is hereby further amended to read as follows:

"SEC. 10. *Rationalization and Prohibition of System Losses.* — ~~[There is hereby established a cap on the recoverable rate of]~~ THE POLICY ON system losses SHALL BE as follows:

(a) For private electric utilities:

~~[(i) Fourteen and a half percent (14 1/2%) at the end of the first year following the effectivity of this Act;~~

~~(ii) Thirteen and one-fourth percent (13 1/4%) at the end of the second year following the effectivity of this Act;~~

~~(iii) Eleven and three-fourths (11 3/4%) at the end of the third year following the effectivity of this Act; and~~
~~(iv) Nine and a half percent (9 1/2%) at the end of the fourth year following the effectivity of this Act.~~

~~Provided, That the ERB is hereby authorized x x x through the private electric utility.~~

~~The term "power sold by NPC or any other entity that supplies power directly to a consumer" x x x point of metering to the consumer meter.]~~

PRIVATE DISTRIBUTION UTILITIES (PDUs) ARE STRICTLY PROHIBITED FROM PASSING ON ANY TECHNICAL, NON-TECHNICAL, OR ADMINISTRATIVE SYSTEM LOSSES TO THEIR CONSUMERS. ALL COSTS ATTRIBUTABLE TO SYSTEM LOSSES SHALL BE ABSORBED SOLELY BY THE PRIVATE DISTRIBUTION UTILITY AS OPERATING EXPENSES.

(b) For rural electric cooperatives:

~~[(i) Twenty-two percent (22%) at the end of the first year following the effectivity of this Act;~~

~~x x x~~

~~(v) Fourteen percent (14%) at the end of the fifth year following the effectivity of this Act.~~

~~Provided, That the ERB is hereby authorized to determine at the end of the fifth year x x x be lower than nine percent (9%) and accordingly fix the date of the effectivity of the new caps.~~

~~Provided, finally, That in any case nothing in this Act shall impair the authority of the ERB to reduce or phase out technical or design losses as a component of system losses.]~~

THERE IS HEREBY ESTABLISHED A REDUCED CAP ON THE RECOVERABLE RATE OF SYSTEM LOSSES THAT MAY BE PASSED ON BY RURAL ELECTRIC COOPERATIVES (RECs) TO CONSUMERS, WHICH SHALL NOT EXCEED FIVE PERCENT (5%) OF THE TOTAL POWER PURCHASED AND GENERATED, SUBJECT TO THE FOLLOWING TRANSITION SCHEDULE:

- (1) TEN PERCENT (10%) AT THE END OF THE FIRST YEAR FOLLOWING THE EFFECTIVITY OF THIS ACT;
- (2) SEVEN PERCENT (7%) AT THE END OF THE SECOND YEAR; AND
- (3) FIVE PERCENT (5%) AT THE END OF THE THIRD YEAR AND THEREAFTER.

PROVIDED, THAT RECs MAY ACCESS MODERNIZATION GRANTS AND CONCESSIONAL FINANCING THROUGH THE NATIONAL ELECTRIFICATION ADMINISTRATION (NEA) TO UPGRADE THEIR DISTRIBUTION NETWORKS AND REDUCE SYSTEM LOSSES."

SEC. 4. *Regulation of System Loss Charges by ERC.* — Section 43(f) of Republic Act No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001 (EPIRA)," is hereby REPEALED. A new Section 43(f) is added to read as follows:

"SEC. 43. *Functions of the ERC.* — x x x

(f) IN THE DISCHARGE OF ITS FUNCTIONS UNDER THIS ACT, THE ERC SHALL ESTABLISH AND ENFORCE A METHODOLOGY FOR SETTING FINANCIAL CAPABILITY STANDARDS FOR ELECTRIC COOPERATIVES UNDER SECTION 23 OF THIS ACT AND STRICTLY ENFORCE THE SYSTEM LOSS CAPS AND PROHIBITIONS PRESCRIBED UNDER SECTION 10 OF REPUBLIC ACT NO. 7832, AS AMENDED. THE ERC SHALL NOT APPROVE OR ALLOW ANY TARIFF, PASS-THROUGH RATE, OR UNBUNDLED CHARGE THAT INCLUDES SYSTEM LOSSES FOR PRIVATE DISTRIBUTION UTILITIES, OR EXCEEDS THE FIVE PERCENT (5%) CAP FOR RURAL ELECTRIC COOPERATIVES."

SEC. 5. *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), the National Electrification Administration (NEA), and consumer advocacy groups, shall promulgate the necessary rules and regulations for the effective implementation of this Act.

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

SEC. 7. *Repealing Clause.* — Section 10 of Republic Act No. 7832, Section 43(f) of Republic Act No. 9136, 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. 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,