



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

**TWENTIETH CONGRESS**  
Second Regular Session

House Bill No. 10550



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**INTRODUCED BY REP. JOSE “BONG” J. TEVES, JR.**

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**EXPLANATORY NOTE**

Section 43(f) of Republic Act no. 9136 or the Electric Power Industry Reform Act of 2001 (EPIRA) allows distribution utilities to recover costs from consumers necessary for the delivery of electricity, including system losses which covers both technical and non-technical losses. System losses generally refer to electricity lost during transmission and distribution due to technical factors, such as resistance in electrical lines and transformers, and non-technical factors, including pilferage, theft, metering inaccuracies, and other operational inefficiencies.

By allowing distribution utilities to recover system losses from consumers, it effectively shifts financial consequences of inefficiency and preventable losses to consumers who have already paid for the electricity they legitimately consume.

This measure seeks to prohibit distribution utilities from charging system loss costs to electricity consumers. Instead, distribution utilities shall absorb such losses as part of the cost of doing business, thereby encouraging investments in modern distribution facilities, stronger anti-pilferage measures, and more efficient system management.

This proposed measure was part of the recent State of the Nation Address by President Ferdinand R. Marcos, Jr. which seeks to ease the burden of our countrymen from high cost of electricity bill. He emphasized that consumers should not bear the electricity lost due to non-technical factors such as electricity theft.

By ensuring that consumers pay only for electricity actually delivered and consumed, this measure promotes fairness, transparency, efficiency, and accountability in the electric power industry while strengthening consumer protection.

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

A handwritten signature in black ink, appearing to read 'Bong J. Teves, Jr.', is written over a large, stylized circular mark.

REP. JOSE "BONG" J. TEVES, JR.  
Deputy Majority Leader  
Representative, TGP Party-List



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**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”**

*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 “Systems Loss Charge Abolition Act”

**SECTION 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.

**SECTION 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.”**

**SECTION 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 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.”

**SECTION 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.

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

**SECTION 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.

**SECTION 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,*