

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Batasan Hills, Quezon City
Twentieth Congress
Second Regular Session

House Bill No. **10585**



Introduced by Honorable Representatives
JOSE MANUEL TADEO “CHEL” I. DIOKNO (Akbayan Partylist)
PERCIVAL V. CENDAÑA (Akbayan Partylist)
DADAH KIRAM ISMULA (Akbayan Partylist)
KAKA BAG-AO (Dinagat Islands)

AN ACT
REMOVING THE BURDEN OF SYSTEM LOSS COSTS FROM
CONSUMER ELECTRICITY BILLS, PROHIBITING FOR THE
PURPOSE DISTRIBUTION UTILITIES FROM IMPOSING SYSTEM
LOSS CHARGES ON CONSUMERS, AMENDING FOR THE
PURPOSE SECTION 43 (F) OF REPUBLIC ACT NO. 9136,
OTHERWISE KNOWN AS THE “ELECTRIC POWER INDUSTRY
REFORM ACT OF 2001,” PROVIDING MEASURES FOR THE
REDUCTION OF SYSTEM LOSSES, AND FOR OTHER PURPOSES

EXPLANATORY NOTE

Electricity is an essential public service indispensable to daily life, human dignity, economic productivity, and national development. Households, schools, hospitals, and businesses depend on electricity. This is why power costs are particularly burdensome for ordinary Filipinos. Unfortunately, in recent years, consumer electricity bills skyrocketed in the country. As of June 2026, the Department of Energy reported that the Philippines recorded the highest average electricity rates in Southeast Asia at P12.43 per kilowatt-hour, surpassing Singapore by less than a centavo.¹ This is in no small part due to system loss charges. Based on Meralco’s 2025

¹ BusinessWorld, *DoE says Philippine electricity rates highest in Southeast Asia in June* (July 21, 2026), <https://bworldonline.com/top-stories/2026/07/21/764693/doe-says-philippine-electricity-rates-highest-in-southeast-asia-in-june/>.

bill breakdown, system loss accounted for about 5% of an average customer's bill.² Between August 2025 and July 2026, the average monthly system loss charge for a 200-kWh consumer stood at ₱148.95, forcing an average family to pay ₱1,787.38 over twelve months for unconsumed power.³

Under existing laws, specifically Section 10 of Republic Act No. 7832 or the “Anti-Electricity and Electric Transmission Lines/Materials Pilferage Act of 1994”⁴ and Section 43(f) of the EPIRA Act of 2001,⁵ distribution utilities and electric cooperatives are permitted to recover system losses from consumers, subject to the caps prescribed by the Energy Regulatory Commission. System loss refers to the difference between the energy delivered to the distribution system and energy delivered to the users of the distribution system, the amount of which is eventually measured and billed to the consumers.⁶ It encompasses both technical losses (physical dissipation of energy through lines and transformers) and non-technical losses (electricity theft, illegal connections, meter tampering, and administrative errors).⁷

While certain technical losses may be expected in the operation of an electric distribution system, the financial consequences of such losses form part of the ordinary cost and risk of operating a public utility. Like businesses in other industries, distribution utilities are expected to manage these risks by maintaining efficient infrastructure, investing in modern technologies, reducing technical losses, and preventing electricity theft.

² Lance Spencer Yu, *EXPLAINER: What is system loss, and how does it affect your power bill?* Rappler (July 28, 2026), <https://www.rappler.com/business/explainer-what-system-loss-affect-power-bill>.

³ Wilnard Bacelonia, *More senators move to strip system loss, VAT from power bills*, Philippine News Agency (July 29, 2026), <https://www.pna.gov.ph/articles/1280550>.

⁴ Anti-Electricity and Electric Transmission Lines/Materials Pilferage Act of 1994, Republic Act No. 7832, § 10.

⁵ Electric Power Industry Reform Act of 2001, Republic Act No. 9136, § 43(f).

⁶ Energy Regulatory Commission, Resolution Clarifying the System Loss Cap Structure and Performance Standards for Distribution Utilities, ERC Res. No. 10, Ser. of 2018.

⁷ *Supra*, note 2.

Consumers, who have no control over the operation of the distribution system, should not be required to bear these costs.

The existing pass-through mechanism weakens incentives for utilities to minimize system losses. If losses are simply recovered from consumers, utilities have no pressure to modernize aging infrastructure, improve operational efficiency, and strengthen anti-pilferage measures. As a result, honest paying households, including those in the lower income brackets, are forced to subsidize these inefficiencies answer for stolen electricity.

This measure addresses these concerns by prohibiting the recovery or pass-through of system losses to consumers while preserving the right of distribution utilities to recover losses directly from persons responsible for electricity pilferage, theft, meter tampering, fraud, vandalism, and other unlawful acts through the remedies available under existing laws. The bill likewise directs the Department of Energy, the National Electrification Administration, and the Energy Regulatory Commission to assist electric cooperatives through modernization programs, technical assistance, capacity-building, and access to financing, particularly for those serving geographically isolated and disadvantaged areas, to ensure that the transition away from system loss charges does not compromise the reliability of their electric services.

The proposed measure is consistent with the Constitution, which directs the State to promote a just and dynamic social order that will improve the quality of life of all the people⁸ and protect consumers against unfair business practices.⁹ It is likewise consistent with the principle that public utilities, as holders of State-granted franchises, must provide safe,

⁸ Const. (1987), Art. II, Section 9.

⁹ Const. (1987), Art. XVI, Section 9.

adequate, efficient, and reasonably priced services.¹⁰ The ordinary costs and risks of operating a public utility, including the responsibility to minimize system losses, should be borne by the utility itself and not shifted to consumers.

Hence, this bill, which seeks to: (1) prohibit the recovery or pass-through of system losses to electricity consumers; (2) strengthen the accountability of distribution utilities in managing system losses; (3) preserve the right of utilities to recover losses from the persons legally responsible therefor; (4) provide technical and financial assistance to electric cooperatives in reducing system losses; and (5) promote a more efficient, accountable, and consumer-oriented electric power industry.

JOSE MANUEL TADEO “CHEL” I. DIOKNO
Akbayan Representative

PERCIVAL V. CENDAÑA
Akbayan Representative

DADAH KIRAM ISMULA
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KAKA BAG-AO
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¹⁰ An Act Amending Commonwealth Act No. 146, Otherwise Known as the Public Service Act, as Amended, Republic Act No. 11659.

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

1 **Section 1. Short Title.** This Act shall be known as the “Zero System Loss
2 Act.”

3 **Section 2. Declaration of Policy.** It is hereby declared the policy of the
4 State to ensure the affordability of electricity for consumers. Towards this
5 end, it is also the policy of the State to:

- 6 a. Protect consumers from bearing unreasonable and avoidable costs
7 arising from inefficiencies, wastage, pilferage, and other losses that
8 should properly be borne by electric utilities and other responsible
9 entities; and
10 b. Ensure that only just, reasonable, and prudent charges are
11 recoverable through electricity rates.

Section 3. Amendment to Republic Act No. 9136. Section 43(f) of Republic Act No. 9136 is hereby amended to read as follows:

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

x x x

(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 rates must be such as to allow the recovery of just and reasonable costs and a reasonable return on rate base (RORB) 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. ~~[TO ACHIEVE THIS OBJECTIVE AND TO ENSURE THE COMPLETE REMOVAL OF CROSS SUBSIDIES, THE CAP ON THE RECOVERABLE RATE OF SYSTEM LOSSES PRESCRIBED IN SECTION 10 OF REPUBLIC ACT NO. 7832, IS HEREBY AMENDED AND SHALL BE REPLACED BY CAPS WHICH SHALL BE DETERMINED BY THE ERC BASED ON LOAD DENSITY, SALES MIX, COST OF SERVICE, DELIVERY VOLTAGE AND OTHER TECHNICAL CONSIDERATIONS IT MAY PROMULGATE. THE ERC SHALL DETERMINE SUCH FORM OR RATE SETTING METHODOLOGY, WHICH SHALL PROMOTE EFFICIENCY.]~~

THE ERC SHALL DETERMINE AND MONITOR SYSTEM LOSSES FOR REGULATORY, OPERATIONAL, AND PERFORMANCE EVALUATION PURPOSES.

NO SYSTEM LOSS, WHETHER TECHNICAL OR NON-TECHNICAL, SHALL BE RECOVERED OR PASSED ON, DIRECTLY OR INDIRECTLY, TO ELECTRICITY CONSUMERS THROUGH DISTRIBUTION RATES, RETAIL RATES, SYSTEM LOSS

1 CHARGES, AUTOMATIC ADJUSTMENT MECHANISMS, TRUE-UP
2 MECHANISMS, OR ANY OTHER RATE COMPONENT OR BILLING
3 ITEM.

4 ANY AMOUNT COLLECTED FROM ELECTRIC CONSUMERS IN
5 VIOLATION OF THIS ACT SHALL BE REFUNDED
6 AUTOMATICALLY, WITHOUT NEED OF DEMAND, TOGETHER
7 WITH INTEREST AT THE LEGAL RATE COMPUTED FROM THE
8 DATE OF COLLECTION UNTIL FULL REFUND. THE REFUND
9 SHALL BE APPLIED AS A CASH REFUND OR BILL CREDIT
10 WITHIN THE PERIOD PRESCRIBED BY THE ERC AND SHALL
11 NOT BE OFFSET BY ANY NEW OR INCREASED CHARGE.

12 NO DISTRIBUTION UTILITY, ELECTRIC COOPERATIVE,
13 TRANSMISSION PROVIDER, OR OTHER REGULATED ENTITY
14 SHALL RECOVER SYSTEM LOSSES BY RECLASSIFYING SUCH
15 COSTS UNDER ANOTHER RATE COMPONENT, CHARGE, RIDER,
16 SURCHARGE, DISTRIBUTION CHARGE, SUPPLY CHARGE,
17 ANCILLARY SERVICE CHARGE, ADJUSTMENT MECHANISM,
18 TRUE-UP MECHANISM, OR ANY OTHER EQUIVALENT BILLING
19 ITEM. ANY SUCH RECOVERY SHALL BE DEEMED VOID AND
20 UNLAWFUL.

21 THE ERC SHALL DENY OR DISALLOW ANY APPLICATION,
22 TARIFF, RATE ADJUSTMENT, OR PRICING METHODOLOGY
23 THAT HAS THE PURPOSE OR EFFECT OF CIRCUMVENTING THE
24 PROHIBITION.

25 x x x”

26 ***Section 4. Responsibility for System Losses.*** Distribution utilities shall
27 bear system losses as part of the ordinary costs and risks of providing
28 electric distribution services and shall not recover or pass on such losses to
29 consumers.

30 Nothing in this Act will prevent a distribution utility from recovering losses
31 directly from persons responsible for electricity pilferage, theft, meter
32 tampering, fraud, vandalism, negligence, breach of contract, or other
33 unlawful acts through the remedies available under existing laws.

1 The Department of Energy (DOE), the National Electrification
2 Administration (NEA), and the Energy Regulatory Commission (ERC) must
3 develop and implement programs to assist electric cooperatives in reducing
4 technical and non-technical system losses through modernization,
5 infrastructure upgrading, deployment of appropriate technologies, technical
6 assistance, institutional capacity-building, and access to financing or other
7 forms of financial support, subject to the availability of funds and existing
8 budgeting, procurement, and auditing laws.

9 The NEA shall prioritize assistance to electric cooperatives operating in
10 geographically isolated and disadvantaged areas and those with
11 persistently high system losses, taking into account their financial capacity,
12 operational performance, and service obligations. Such assistance shall be
13 conditioned on the adoption and implementation of a System Loss Reduction
14 Plan, with measurable performance targets and timelines approved and
15 monitored by the ERC. Failure to substantially comply with such plan,
16 without justifiable cause, may constitute a ground for the suspension,
17 modification, or withdrawal of assistance, subject to due process.

18 **Section 5. Implementing Rules and Regulations.** Within ninety (90)
19 days from the effectivity of this Act, the ERC, in coordination with the DOE,
20 NEA, Department of Finance, and Bureau of Internal Revenue, in
21 consultation with stakeholders, must promulgate the necessary rules and
22 regulations for its effective implementation. Failure to promulgate the IRR
23 will not affect the effectivity of this Act.

24 **Section 6. Separability Clause.** If, for any reason, any part or provision
25 of this Act is declared unconstitutional or invalid, other parts or provisions
26 not affected thereby will continue to be in full force and effect.

27 **Section 7. Repealing Clause.** Section 10 of Republic Act No. 7832 is
28 hereby repealed. All other laws, decrees, executive orders, proclamations,
29 rules and regulations, and other issuances or part or parts thereof contrary
30 to or inconsistent with this Act are likewise hereby repealed or modified
31 accordingly.

32 **Section 8. Effectivity.** This Act takes effect fifteen (15) days after its
33 publication in the Official Gazette or in a newspaper of general circulation.