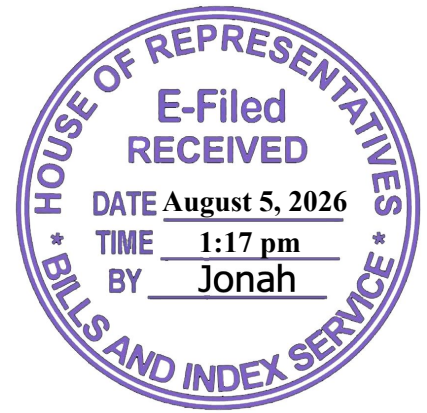


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Constitution Hills, Quezon City

TWENTIETH CONGRESS
Second Regular Session

House Bill No. **10631**



Introduced by: **REPRESENTATIVE ERIC L. OLIVAREZ**

EXPLANATORY NOTE

Republic Act No. 9136, otherwise known as the *Electric Power Industry Reform Act of 2001 (EPIRA)*, restructured the Philippine electric power industry by promoting competition, private sector participation, and independent regulation. Pursuant to Section 43(f) thereof, the Energy Regulatory Commission (ERC) is authorized to determine the recoverable system loss of distribution utilities.

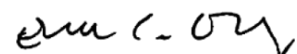
To implement this authority, the ERC adopted Resolution No. 20, Series of 2017, establishing utility-specific Distribution System Loss (DSL) Caps based on engineering, operational, and geographic considerations. During the deliberations of previous legislative proposals, the Technical Working Group of the House Committee on Energy likewise recognized that recoverable system losses should continue to be determined through performance-based and utility-specific standards rather than rigid statutory percentages.

Notwithstanding these reforms, consumers continue to question the recovery of system losses arising from electricity pilferage, illegal connections, meter tampering, fraud, administrative inefficiency, negligence, and other avoidable causes beyond their control.

This measure strengthens the existing regulatory framework by clarifying the statutory principles governing the recoverability of technical and non-technical system losses, reaffirming the authority of the Energy Regulatory Commission to establish utility-specific performance benchmarks, and enhancing transparency and accountability in the recovery of system losses.

The bill does not dismantle the regulatory framework established under EPIRA. Rather, it builds upon existing law and regulatory policy by ensuring that consumers are charged only for efficient technical losses determined by the ERC while encouraging distribution utilities to continuously improve operational efficiency.

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


ERIC L. OLIVAREZ

Republic of the Philippines
HOUSE OF REPRESENTATIVES
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TWENTIETH CONGRESS
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House Bill No. 10631

Introduced by: **REPRESENTATIVE ERIC L. OLIVAREZ**

**“AN ACT
STRENGTHENING CONSUMER PROTECTION AND TRANSPARENCY IN
THE RECOVERY OF SYSTEM LOSSES, AMENDING FOR THE PURPOSE
SECTION 43(F) OF REPUBLIC ACT NO. 9136, OTHERWISE KNOWN AS
THE "ELECTRIC POWER INDUSTRY REFORM ACT OF 2001," AND
SECTION 10 OF REPUBLIC ACT NO. 7832, AND FOR OTHER
PURPOSES”**

*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 "*Electricity
Consumer Protection in System Loss Recovery Act.*"

SECTION 2. Declaration of Policy. - It is hereby declared the policy of
the State to protect electricity consumers by ensuring that only prudent,
reasonable, and efficiently incurred technical system losses, as determined by
the Energy Regulatory Commission in accordance with law, may be recovered
from consumers, while encouraging distribution utilities to continuously
improve operational efficiency and reduce avoidable losses through sound
engineering practices, prudent investments, and effective management.

SECTION 3. Definitions - For purposes of this Act:

- a) **Technical System Losses** - refer to the inherent and unavoidable loss
of electrical energy occurring during the transmission and distribution
of electricity due to the physical characteristics of electrical equipment
and systems.
- b) **Non-Technical System Losses** - refer to losses resulting from
electricity pilferage, illegal connections, meter tampering, fraud, billing
irregularities, administrative inefficiency, or other causes not
attributable to the normal operation of the electrical system.
- c) **System Loss Benchmark** - refers to the maximum level of recoverable
technical system losses approved by the ERC.

SECTION 4. Amendment of Section 43(f) of Republic Act No. 9136.
Section 43(f) of Republic Act No. 9136 is hereby amended by inserting the
following sentences immediately after the sentence reading:

"To achieve this objective...other technical considerations it may promulgate."

"In determining recoverable system loss caps, the Commission shall establish and periodically review utility-specific technical system loss benchmarks to ensure that only prudent, reasonable, and efficient technical system losses are recoverable from consumers.

The Commission shall require every distribution utility to publicly disclose its approved system loss benchmark, actual technical and non-technical system losses, and the amount recovered from consumers through system loss charges, in such form and manner as the Commission may prescribe.

The Commission shall periodically review its rules on system loss recovery to promote distribution efficiency, technological advancement, transparency, and consumer protection."
xxx

The ERC shall determine such form or rate-setting methodology, which shall promote efficiency. In case the rate setting methodology used is RORB, it shall be subject to the following guidelines:

xxx

SECTION 5. Amendment of Section 10 of Republic Act No. 7832.

Section 10 of Republic Act No. 7832, as amended, is hereby further amended to read as follows:

xxx

SEC. 10. Recoverable System Losses. — Only prudent, reasonable, and efficiently incurred technical system losses, as determined and approved by the Energy Regulatory Commission pursuant to Republic Act No. 9136 and this Act, shall be recoverable from consumers.

The Energy Regulatory Commission shall establish and periodically review utility-specific recoverable technical system loss benchmarks using objective engineering, operational, economic, and geographic criteria and such other standards as may be necessary to ensure the efficient operation of distribution utilities and the protection of consumer welfare.

The Commission shall, through rules and regulations, classify non-technical system losses according to their nature, cause, and recoverability, taking into consideration prevailing laws, regulatory policies, and the circumstances under which such losses are incurred.

As a general rule, non-technical system losses resulting from electricity pilferage, illegal connections, meter tampering, fraud, administrative inefficiency, negligence, operational lapses, or other avoidable causes shall not be recoverable from consumers.

The Commission may authorize the recovery of specific categories of non-technical system losses only when expressly authorized by law or when extraordinary circumstances including force majeure or other events beyond the reasonable control of the distribution utility, as may be defined by the Commission through rules and regulations, clearly justify such recovery in the public interest, provided that the Commission's decision shall be supported by substantial evidence and shall include written findings stating the legal and factual basis for such authorization.

In no case shall losses attributable to fraud, gross negligence, willful misconduct, or violations of law committed by a distribution utility, its officers, employees, agents, or contractors be recoverable from consumers.

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SECTION 6. Transparency and Consumer Information. - Every Distribution Utility shall annually publish and make available to the public:

- (a) its ERC-approved recoverable technical system loss benchmark;
- (b) its actual technical system losses;
- (c) its actual non-technical system losses;
- (d) the amount recovered through system loss charges; and
- (e) the measures undertaken to reduce system losses.

The ERC shall prescribe the form, frequency, and manner of disclosure, including publication through the distribution utility's official website and such other accessible platforms as the Commission may require.

SECTION 6-A. Refund of Unauthorized Recoveries. - Amounts collected in excess of the recoverable system loss benchmark or otherwise determined by the ERC to be unauthorized shall be refunded to affected consumers in accordance with rules prescribed by the Commission, without prejudice to the imposition of administrative sanctions.

SECTION 7. Implementing Rules and Regulations. - Within ninety (90) days from the effectivity of this Act, the ERC, after public consultation and in coordination with the Department of Energy, the National Electrification Administration, distribution utilities, electric cooperatives and consumer representatives, shall promulgate the Implementing Rules and Regulations necessary to carry out the provisions of this Act. The Commission shall likewise review and, where necessary, amend, its existing rules, including ERC Resolution No. 20, Series of 2017, to conform with this Act.

SECTION 8. Repealing Clause. - All laws, decrees, executive orders, rules and regulations, or parts thereof inconsistent with this Act are hereby repealed or modified accordingly.

SECTION 9. Saving Clause. - Except as expressly modified by this Act, all powers, duties, and functions of the ERC under Republic Act No. 9136 and other applicable laws shall remain in full force and effect.

SECTION 10. Separability Clause. - If any provision of this Act is declared unconstitutional or invalid, the remaining provisions not affected thereby shall remain in full force and effect.

SECTION 11. Effectivity. - This Act shall take effect fifteen (15) days after its publication in the *Official Gazette* or in a newspaper of general circulation.

Approved.