

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City
TWENTIETH CONGRESS
Second Regular Session



HOUSE BILL NO. 10673

Introduced by **REP. BERNADETTE "DETTE" G. ESCUDERO**

**AN ACT
INSTITUTIONALIZING THE RULES ON SYSTEM LOSS CAP FOR ELECTRIC
DISTRIBUTION UTILITIES**

EXPLANATORY NOTE

In our system of electricity distribution, system loss refers to the electrical energy lost between the point of generation and its delivery to end-users. These losses may be technical, arising from the physical condition, design, and operation of transmission and distribution facilities, or non-technical, resulting from electricity theft, illegal connections, meter tampering, and inaccurate billing or measurement. System loss remains a serious national concern because a portion of its cost is passed on to consumers, contributing to already high electricity rates. Persistent losses also reduce the efficiency and reliability of power distribution, waste energy that could otherwise serve households and businesses, and require additional generation to compensate for electricity that never reaches paying consumers.

While the recovery of system losses is necessary to ensure the continued operation and financial viability of distribution utilities and electric cooperatives, consumers should not be burdened with unlimited charges arising from losses that are largely beyond their control or awareness. This bill excludes transmission losses from recoverable system losses and prohibits their recovery from end-users. The bill also sets a maximum recoverable system loss limit of 5% for private distribution utilities and establishes a tiered cap for electric cooperatives based on operational conditions.

In light of the foregoing, support for this bill, which is a counterpart measure of Senate Bill 495 is earnestly sought.

HON. BERNADETTE "DETTE" G. ESCUDERO
Representative
1st District, Sorsogon

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

1 **SECTION. 1. Short Title.** This Act shall be known as the "Distribution System
2 Loss Act".
3

4 **SEC. 2. Declaration of Policy.** It shall be the policy of the State to protect
5 the rights of every electric consumer without compromising the State's obligation to
6 ensure the viability of electric distribution utilities. Towards this end, the State shall
7 ensure that the imposition of electricity distribution charges to electricity end-users is
8 justifiable and equitable, and that no unnecessary cost is recovered by distribution
9 utilities.
10

11 **SEC. 3. Transmission Losses.** Transmission losses are hereby disaggregated
12 from the computation of allowable system loss charges. These losses shall not form
13 part of the passed-on costs to electricity end-users.

14 For the purposes of this Act, transmission loss shall refer to the difference in
15 kilowatt-hours (kWh) between the electricity delivered by a generation company to a
16 distribution utility as indicated in the powerplant billing meter installed at the plant
17 gate and the electricity actually received by the substation of an individual distribution
18 utility as indicated in the billing meter installed at the delivery point.

19 **Sec. 4. Distribution System Loss Cap for Private Distribution Utilities.**
20 Private distribution utilities are hereby allowed to pass on system losses to their
21 consumers only to the extent that these system losses result from design fault,
22 technical loss, and non-technical losses as defined by the Energy Regulatory
23 Commission (ERC), which in no case shall be more than five percent (5%).
24

1 **Sec. 5. Distribution System Loss Caps for Electric Cooperatives.**

2 Distribution utilities are hereby allowed to pass on system losses to their consumers
3 only to the extent that these system losses result from design fault, technical loss,
4 and non-technical loss as defined by the Energy Regulatory Commission (ERC), which
5 in no case shall exceed the following:

6
7 (a) For electric cooperatives in Cluster 1 - 12.00%;

8
9 (b) For electric cooperatives in Cluster 2 - 10.25%; and

10
11 (c) For electric cooperatives in Cluster 3 - 8.25%.

12
13 A system loss charge shall be determined annually based on the previous year's
14 costs and revenues of the distribution utilities, which shall be verified by the ERC to
15 ensure that only legitimate costs are borne by consumers. For the purpose of this Act,
16 system loss shall mean the difference in kWh between the electricity purchased and/or
17 generated and the electricity actually sold by a distribution utility.

18
19 **SEC. 6. Electric Cooperative Clusters.** For the purpose of determining the
20 applicable distribution system loss cap as provided in Section 5 of this Act, the electric
21 cooperatives shall be classified as follows:

22
23 (a) Cluster 1 Electric Cooperatives

24 (1) Bantayan Electric Cooperative, Inc. (BANELCO)

25 (2) Basilan Electric Cooperative, Inc. (BASELCO)

26 (3) Batanes Electric Cooperative, Inc. (BATANELCO)

27 (4) Busuanga Island Electric Cooperative, Inc. (BISELCO)

28 (5) Cagayan de Sulu Electric Cooperative, Inc. (CASELCO)

29 (6) Camotes Electric Cooperative, Inc. (CELCO)

30 (7) Dinagat Island Electric Cooperative, Inc. (DIELCO)

31 (8) First Catanduanes Electric Cooperative, Inc. (FICELCO)

32 (9) Ifugao Electric Cooperative, Inc. (IFELCO)

33 (10) Kalinga-Apayao Electric Cooperative, Inc. (KAELCO)

34 (11) Lubang Electric Cooperative, Inc. (LUBELCO)

35 (12) Marinduque Electric Cooperative, Inc. (MARELCO)

36 (13) Maripipi Multi-Purpose Electric Cooperative (MMPC)

- 1 (14) Masbate Electric Cooperative, Inc. (MASELCO)
- 2 (15) Mountain Province Electric Cooperative, Inc. (MOPRECO)
- 3 (16) Occidental Mindoro Electric Cooperative, Inc. (OMEKO)
- 4 (17) Oriental Mindoro Electric Cooperative, Inc. (ORMECO)
- 5 (18) Palawan Electric Cooperative, Inc. (PALECO)
- 6 (19) Province of Siquijor Electric Cooperative, Inc. (PROSIELCO)
- 7 (20) Romblon Electric Cooperative, Inc. (ROMELCO)
- 8 (21) Siargao Electric Cooperative, Inc. (SIARELCO)
- 9 (22) Siasi Electric Cooperative, Inc. (SIASELCO)
- 10 (23) Sulu Electric Cooperative, Inc. (SULECO)
- 11 (24) Tabas Island Electric Cooperative, Inc. (TIELCO)
- 12 (25) Tawi-tawi Electric Cooperative, Inc. (TAWELCO)
- 13 (26) Ticao Island Electric Cooperative, Inc. (TISELCO)

14 (b) Cluster 2 Electric Cooperatives

- 15 (1) Abra Electric Cooperative, Inc. (ABRECO)
- 16 (2) Agusan del Norte Electric Cooperative, Inc. (ANECO)
- 17 (3) Agusan del Sur Electric Cooperative, Inc. (ASELCO)
- 18 (4) Aklan Electric Cooperative, Inc. (AKELCO)
- 19 (5) Albay Electric Cooperative, Inc. (ALECO)
- 20 (6) Antique Electric Cooperative, Inc. (ANTECO)
- 21 (7) Aurora Electric Cooperative, Inc. (AURELCO)
- 22 (8) Batangas I Electric Cooperative, Inc. (BATELEC I)
- 23 (9) Benguet Electric Cooperative, Inc. (BENECO)
- 24 (10) Biliran Electric Cooperative, Inc. (BILECO)
- 25 (11) Bohol I Electric Cooperative, Inc. (BOHECO I)
- 26 (12) Bohol II Electric Cooperative, Inc. (BOHECO II)

- 1 (13) Bukidnon II Electric Cooperative, Inc. (BUSECO)
- 2 (14) Cagayan I Electric Cooperative, Inc. (CAGELCO I)
- 3 (15) Cagayan II Electric Cooperative, Inc. (CAGELCO II)
- 4 (16) Camarines Norte Electric Cooperative, Inc. (CANORECO)
- 5 (17) Camarines Sur I Electric Cooperative, Inc. (CASURECO I)
- 6 (18) Camarines Sur II Electric Cooperative, Inc. (CASURECO II)
- 7 (19) Camarines Sur III Electric Cooperative, Inc. (CASURECO III)
- 8 (20) Camarines Sur IV Electric Cooperative, Inc. (CASURECO IV)
- 9 (21) Camiguin Electric Cooperative, Inc. (CAMELCO)
- 10 (22) Capiz Electric Cooperative, Inc. (CAPELCO)
- 11 (23) Cebu I Electric Cooperative, Inc. (CEBECO I)
- 12 (24) Cebu II Electric Cooperative, Inc. (CEBECO II)
- 13 (25) Cebu III Electric Cooperative, Inc. (CEBECO III)
- 14 (26) Central Pangasinan Electric Cooperative, Inc. (CENPELCO)
- 15 (27) Cotabato Electric Cooperative, Inc. (COTELCO)
- 16 (28) Davao del Norte Electric Cooperative, Inc. (DANECO)
- 17 (29) Davao del Sur Electric Cooperative, Inc. (DASURECO)
- 18 (30) Davao Oriental Electric Cooperative, Inc. (DORECO)
- 19 (31) Eastern Samar Electric Cooperative, Inc. (ESAMELCO)
- 20 (32) First Bukidnon Electric Cooperative, Inc. (FIBECO)
- 21 (33) First Laguna Electric Cooperative, Inc. (FLECO)
- 22 (34) Guimaras Electric Cooperative, Inc. (GUIMELCO)
- 23 (35) Ilocos Norte Electric Cooperative, Inc. (INEC)
- 24 (36) Ilocos Sur Electric Cooperative, Inc. (ISECO)
- 25 (37) Iloilo I Electric Cooperative, Inc. (ILECO I)
- 26 (38) Iloilo I Electric Cooperative, Inc. (ILECO II)

- 1 (39) Iloilo III Electric Cooperative, Inc. (ILECO III)
- 2 (40) Isabela I Electric Cooperative, Inc. (ISELCO I)
- 3 (41) Isabela II Electric Cooperative, Inc. (ISELCO II)
- 4 (42) La Union Electric Cooperative, Inc. (LUELCO)
- 5 (43) Lanao del Norte Electric Cooperative, Inc. (LANECO)
- 6 (44) Lanao del Sur Electric Cooperative, Inc. (LASURECO)
- 7 (45) Leyte I Electric Cooperative, Inc. (LEYECO I)
- 8 (46) Leyte III Electric Cooperative, Inc. (LEYECO III)
- 9 (47) Leyte IV Electric Cooperative, Inc. (LEYECO IV)
- 10 (48) Leyte V Electric Cooperative, Inc. (LEYECO V)
- 11 (49) Maguindanao Electric Cooperative, Inc. (MAGELCO)
- 12 (50) Misamis Occidental I Electric Cooperative, Inc. (MOELCI I)
- 13 (51) Misamis Occidental II Electric Cooperative, Inc. (MOELCI II)
- 14 (52) Misamis Oriental II Electric Cooperative, Inc. (MORESCO II)
- 15 (53) Negros Occidental Electric Cooperative, Inc. (NOCECO)
- 16 (54) Negros Oriental I Electric Cooperative, Inc. (NORECO I)
- 17 (55) Negros Oriental II Electric Cooperative, Inc. (NORECO II)
- 18 (56) Northern Negros Electric Cooperative, Inc. (NONECO)
- 19 (57) Northern Samar Electric Cooperative, Inc. (NORSAMELCO)
- 20 (58) Nueva Ecija I Electric Cooperative, Inc. (NEECO I)
- 21 (59) Nueva Ecija II Electric Cooperative, Inc. - Area 1 (NEECO II -
- 22 AREA I)
- 23 (60) Nueva Ecija II Electric Cooperative, Inc. - Area 2 (NEECO II -
- 24 AREA II)
- 25 (61) Nueva Vizcaya Electric Cooperative, Inc. (NUVELCO)
- 26 (62) Pampanga I Electric Cooperative, Inc. (PELCO I)
- 27 (63) Pampanga II Electric Cooperative, Inc. (PELCO II)

- 1 (64) Pampanga III Electric Cooperative, Inc. (PELCO III)
- 2 (65) Pampanga Rural Electric Service Cooperative, Inc. (PRESCO)
- 3 (66) Pangasinan I Electric Cooperative, Inc. (PANELCO I)
- 4 (67) Pangasinan III Electric Cooperative, Inc. (PANELCO III)
- 5 (68) Quezon I Electric Cooperative, Inc. (QUEZELCO I)
- 6 (69) Quezon II Electric Cooperative, Inc. (QUEZELCO II)
- 7 (70) Quirino Electric Cooperative, Inc. (QUIRELCO)
- 8 (71) Samar I Electric Cooperative, Inc. (SAMELCO I)
- 9 (72) Samar II Electric Cooperative, Inc. (SAMELCO II)
- 10 (73) San Jose City Electric Cooperative, Inc. (SAJELCO)
- 11 (74) Sorsogon I Electric Cooperative, Inc. (SORECO I)
- 12 (75) Sorsogon II Electric Cooperative, Inc. (SORECO II)
- 13 (76) Southern Leyte Electric Cooperative, Inc. (SOLECO)
- 14 (77) Sultan Kudarat Electric Cooperative, Inc. (SUKELCO)
- 15 (78) Surigao del Norte Electric Cooperative, Inc. (SURNECO)
- 16 (79) Surigao del Sur I Electric Cooperative, Inc. (SURSECO I)
- 17 (80) Surigao del Sur II Electric Cooperative, Inc. (SURSECO II)
- 18 (81) Tarlac I Electric Cooperative, Inc. (TARELCO I)
- 19 (82) Tarlac II Electric Cooperative, Inc. (TARELCO II)
- 20 (83) Zambales I Electric Cooperative, Inc. (ZAMECO I)
- 21 (84) Zambales II Electric Cooperative, Inc. (ZAMECO II)
- 22 (85) Zamboanga del Norte Electric Cooperative, Inc. (ZANECO)
- 23 (86) Zamboanga del Sur I Electric Cooperative, Inc. (ZAMSURECO I)
- 24 (87) Zamboanga del Sur II Electric Cooperative, Inc. (ZAMSURECO II)
- 25 (c) Cluster 3 Electric Cooperatives
- 26 (1) Batangas II Electric Cooperative, Inc. (BATELEC II)

- (2) Central Negros Electric Cooperative, Inc. (CENECO)
- (3) Leyte II Electric Cooperative, Inc. (LEYECO II)
- (4) Misamis Oriental I Rural Electric Cooperative, Inc. (MORESCO I)
- (5) Peninsula Electric Cooperative, Inc. (PENELCO)
- (6) South Cotabato I Electric Cooperative, Inc. (SOCOTECO I)
- (7) South Cotabato II Electric Cooperative, Inc. (SOCOTECO II)
- (8) Zamboanga City Electric Cooperative, Inc. (ZAMCELCO)

The clustering shall be valid for two (2) years following the effectivity of this Act. Subsequently and every year thereafter, the ERC shall review and revise the clustering of electric cooperatives prescribed in this section as deemed necessary.

SEC. 7. Powers and Functions of the Energy Regulatory Commission.

In addition to its powers and functions under Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001, and other relevant laws, the ERC shall perform the following:

(a) Determine, as often as is necessary, whether the caps shall be reduced further on the basis of load density, sales mix, cost of service, delivery voltage, and other technical considerations, as well as international benchmarks, taking into account the viability of distribution utilities and electric cooperatives and the interest of the consumers;

(b) Exercise the emergency power, when deemed necessary, to increase the system loss rates caps as prescribed by this Act;

(c) Review and verify the system loss charges reported by distribution utilities to ensure that only legitimate costs are borne by the consumers.

Subsequently and every year thereafter, the ERC shall review the system loss rates prescribed by this Act based on parameters such as load density, sales mix, cost of service, delivery voltage and any other technical considerations, as provided in the EPIRA, necessary for establishing different caps for distribution utilities.

SEC. 8. System Loss Reduction Program and Incentives. The ERC shall develop an incentive mechanism to reward distribution utilities whose actual system losses are below the prevailing approved caps. The incentive mechanism adopted may be incorporated by the ERC in the performance incentive scheme under the performance-based regulation for private distribution utilities and in the benchmarking methodology for electric cooperatives. Towards this end, expenses associated with any system loss reduction program duly approved by the ERC shall be considered part of the capital, expenditure plans or programs, and operating costs of distribution utilities.

1 **SEC. 9. Emergency Clause.** The application of allowable system loss rates
2 provided in this Act may be suspended upon the occurrence of the following: acts of
3 God, riots, war, terrorist act, epidemic, pandemic, civil commotion, natural
4 catastrophes, and other emergency circumstances wherein the distribution utility is
5 unable to accurately determine the energy sold because of damage or loss of
6 consumers billing meters and other facilities used in the determination of the
7 consumers energy consumption, as determined by the ERC.
8

9 **SEC. 10. Implementing Rules and Regulations.** Within sixty (90) days
10 from the effectivity of this Act, ERC shall, in consultation with government agencies
11 and other stakeholders concerned, promulgate the rules and regulations to effectively
12 implement the provisions of this Act.
13

14 **SEC. 11, Separability Clause.** If any provision or part hereof is declared
15 unconstitutional, the remainder of this Act or any provision not affected thereby shall
16 remain in full force and effect.
17

18 **SEC. 12. Repealing Clause.** All laws, acts, decrees, executive orders,
19 issuances, and rules and regulations or parts thereof which are contrary to and
20 inconsistent with this Act are hereby repealed, amended or modified accordingly.
21

22 **SEC. 13. Effectivity.** This Act shall take effect immediately following its
23 publication in the Official Gazette or in at least two (2) newspapers of general
24 circulation.

Approved,