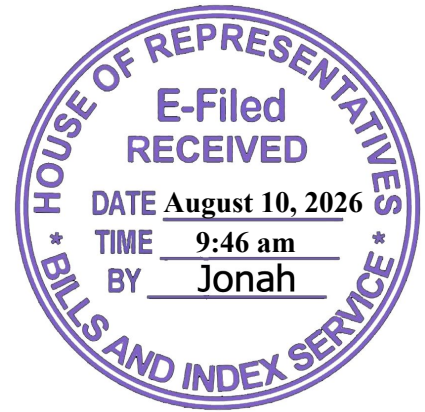


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

TWENTIETH CONGRESS
Second Regular Session

HOUSE BILL NO. **10677**



Introduced by Representative LEILA M. DE LIMA

AN ACT
PROHIBITING THE IMPOSITION AND RECOVERY OF NON-TECHNICAL SYSTEM LOSS CHARGES FROM ELECTRICITY CONSUMERS, AMENDING FOR THE PURPOSE SECTION 43(F) OF REPUBLIC ACT NO. 9136, OTHERWISE KNOWN AS THE “ELECTRIC POWER INDUSTRY REFORM ACT OF 2001,” AND FOR OTHER PURPOSES

EXPLANATORY NOTE

Electricity is an important commodity. It is a basic necessity that sustains households, hospitals, schools, and industries alike. Precisely because of its indispensable character, Republic Act No. 11659 classifies the distribution of electricity as a public utility business affected with public interest¹, subject to the State’s power to regulate rates and charges to protect the consuming public from abuse.

This protective mandate becomes even more cogent amid the reality that, as of June 2026, the Philippines recorded the highest average electricity rate in Southeast Asia at ₱12.43 per kilowatt-hour, driven by rising fuel costs and persistent supply constraints.² Worse, there is a perennial issue that an average Filipino consumer’s electricity bill does not reflect a just and reasonable pricing, but that it instead includes charges for certain losses (including pilferages) in the distribution or delivery of electricity which are caused by the fault, negligence, or criminal acts of others.

It was against this backdrop that President Ferdinand R. Marcos, Jr., in his 2026 State of the Nation Address, called on Congress to act:

¹ Section 4

²Lelis, B. (21 July 2026). *DOE: Philippines power rates now highest in SEA*. The Philippine Star. Retrieved from <https://www.philstar.com/headlines/2026/07/21/2543545/doe-philippines-power-rates-now-highest-sea>

“Panahon na para tanggalin na natin ang systems loss na pinapasa sa konsyumer... Hindi naman kasalanan ng konsyumer kung bakit nagkaroon ng systems loss. Kaya hindi naman tama na kailangan sila pa ang pagbabayaran dito... Therefore, we, their people, request — no, we demand the immediate amendment of the EPIRA and to prohibit charging systems loss against consumers, including the value-added tax thereon.”

This bill answers that call, but does so with the precision that sound policy demands.

The system loss charge, which makes up roughly five percent (5%) of a consumer's electricity bill,³ is composed of two distinct components under the 2017 Edition of the Philippine Distribution Code: *Technical Loss*, which is the loss inherent and unavoidable in the physical transmission and distribution of electricity through wires, transformers, and other equipment; and *Non-Technical Loss*, which consists of energy lost due to pilferage, meter tampering, erroneous meter reading, and other causes attributable to human action, whether intentional or negligent.⁴

In other words, Technical Loss is a scientific inevitability; no amount of vigilance by the consumer or the distribution utility (DU) can reduce it to zero⁵. Non-Technical Loss, by contrast, is preventable. It is the direct consequence of pilferage committed by third parties, defective or tampered metering, and administrative or billing error, none of which the paying consumer has any control over, and none of which the consumer should be made to shoulder.

Yet under the present framework, Section 43(f) of Republic Act No. 9136, or the “Electric Power Industry Reform Act of 2001” (EPIRA), empowers the Energy Regulatory Commission (ERC) only to set caps on the recoverable rate of system losses caps that, under ERC Resolution No. 10, Series of 2018, are computed by combining Technical Loss and Non-Technical Loss, whichever is lower than the prescribed cap, in addition to actual sub-transmission and substation losses.⁶ Thus, for as long as a DU's combined losses remain within the ERC-approved cap, it may continue to pass on to consumers the cost of energy stolen by pilferers, lost to tampered meters, or misrecorded through billing error. This setup, however administratively convenient, offends basic notions of fairness and cost-causation.

³Santos, T. G. (05 May 2026). Hontiveros: Cut systems loss VAT in power bills. Philippine Daily Inquirer. Retrieved from <https://newsinfo.inquirer.net/2223376/hontiveros-cut-systems-loss-vat-in-power-bills>

⁴Philippine Distribution Code, 2017 Edition, (Dec. 2017)

⁵ Gulla, V (05 August 2026). DOE, ERC favor 'phased' removal of non-technical system loss charge from electricity bills. Retrieved from: <https://www.abs-cbn.com/news/business/2026/8/5/doe-erc-favor-phased-removal-of-non-technical-system-loss-charge-1904>

⁶ERC Resolution No. 10, Series of 2018, Retrieved from <https://erc.gov.ph/Files/Render/issuance/18964>

This bill therefore seeks to amend Section 43(f) of the EPIRA to expressly confine the ERC's rate-setting and cap-setting authority to Technical Loss alone, and to categorically prohibit distribution utilities from imposing, charging, or recovering any cost attributable to Non-Technical Loss from their consumers, whether through the System Loss Rate or any other charge, fee, or cross-subsidy mechanism. The cost of Non-Technical Loss shall instead be borne by the DU as an ordinary cost of doing business. Consequently, this scheme can create a direct financial incentive for distribution utilities to invest in anti-pilferage measures, meter security, and collection efficiency, without prejudice to their right to pursue civil and criminal remedies against persons liable for pilferage or tampering under Republic Act No. 7832, or the *"Anti-Electricity and Electric Transmission Lines/Materials Pilferage Act of 1994."*

To ensure faithful implementation, the bill requires distribution utilities to segregate and report their Technical and Non-Technical Losses to the ERC with corresponding administrative penalties imposed on distribution utilities and responsible officials who fail to comply.

Ultimately, this bill gives concrete legislative form to the President's directive: that no Filipino consumer should be made to pay for electricity that was stolen, mismeasured, or lost to another's fault. When the very lifeline that powers every Filipino home is priced fairly, only then can the promise of affordable and reliable electricity be truly fulfilled.

The immediate passage of this bill is earnestly sought.


LEILA M. DE LIMA

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HOUSE BILL NO. **10677**

Introduced by Representative LEILA M. DE LIMA

AN ACT
PROHIBITING THE IMPOSITION AND RECOVERY OF NON-TECHNICAL SYSTEM
LOSS CHARGES FROM ELECTRICITY CONSUMERS, AMENDING FOR THE
PURPOSE SECTION 43(F) OF REPUBLIC ACT NO. 9136, OTHERWISE KNOWN
AS THE “ELECTRIC POWER INDUSTRY REFORM ACT OF 2001,” AND FOR
OTHER PURPOSES

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 “Non-Technical
2 System Loss Charge Prohibition Act.”
3

4 SEC. 2. *Declaration of Policy.* - It is hereby declared the policy of the State to
5 ensure the quality, reliability, security, and affordability of supply of electric power while
6 taking into consideration the viability of all distribution utilities and the protection of
7 rights of every consumer. Towards this end, the State shall ensure that the imposition
8 of electricity charges to the public is justifiable, equitable, and reflects the true cost of
9 electricity.
10

11 SEC. 3. *Definition of Terms.* - For purposes of this Act, the following terms shall
12 be defined as stated below: *Provided,* That other terms used in this Act but not defined
13 herein shall be understood to mean the way they are defined in Republic Act No. 9136,
14 otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA) and its
15 Implementing Rules and Regulations:
16

17 (a) *Distribution Utility (DU)* refers to any electric cooperative, private
18 distribution utility, government-owned or existing local government unit-
19 owned utility, which has a franchise to operate a distribution system,
20 including those whose franchise covers economic zones;

- 1
2 (b) *Electric cooperative (EC)* refers to a distribution utility organized
3 pursuant to Presidential Decree No. 269, as amended, or as otherwise
4 provided in Republic Act No. 9136;
5
6 (c) *Energy input* refers to the energy, in kilowatt hour (kWh), delivered into
7 the distribution system by the transmission system, embedded
8 generating plants, other distribution systems, and user systems with
9 generating facilities;
10
11 (d) *Energy output* refers to the energy, in kWh, delivered by the DU to its
12 customers' metering point, including energy for the DU's own use;
13
14 (e) *Non-Technical Losses* refers to the component of System Loss that is
15 not related to the physical characteristics and functions of the electric
16 system, and is caused primarily by human action, whether intentional or
17 negligent, including but not limited to energy lost due to pilferage,
18 tampering of meters, unmetered or illegally tapped connections, and
19 erroneous meter reading or billing;
20
21 (f) *Private Distribution Utility (PDU)* refers to a distribution utility organized
22 as a private corporation which has a franchise to operate a distribution
23 system, including those whose franchise covers economic zones:
24 *Provided, That* for purposes of this Act, government-owned and local
25 government-owned utilities as well as those operating within economic
26 zones shall be classified as PDUs;
27
28 (g) *System Loss* refers to the difference between the electric energy
29 delivered into the distribution system (Energy Input) and the electric
30 energy delivered to end-users and other entities connected to the system
31 (Energy Output);
32
33 (h) *System Loss Charge* refers to the monetary amount billed to a consumer,
34 computed by multiplying the System Loss Rate by the consumer's actual
35 energy consumption for the applicable billing period;
36
37 (i) *System Loss Rate* refers to the rate, expressed in Philippine Peso per
38 kilowatt-hour (₱/kWh), used by a DU to recover the cost of allowable
39 System Loss from its consumers, as computed under the methodology
40 prescribed by the Energy Regulatory Commission (ERC); and
41
42 (j) *Technical Losses* refer to the component of System Loss that is inherent
43 in the physical delivery of electric energy. It includes conductor losses,
44 transformer core losses, and losses from metering equipment.
45

46 SEC. 4. *Prohibition on the Recovery of Non-Technical Loss.* – Notwithstanding
47 any provision of Republic Act No. 9136, Republic Act No. 7832 otherwise known as
48 “*Anti-electricity and Electric Transmission Lines/Materials Pilferage Act of 1994*” or any
49 rule, resolution, or issuance of the ERC to the contrary, no DU shall impose, charge,

1 collect, or recover from its consumers any amount attributable to Non-Technical Loss
2 through the System Loss Charge or any equivalent recovery mechanism.

3
4 All costs arising from Non-Technical Loss shall be for the sole account of, and
5 shall be absorbed by, the DU concerned as an ordinary cost of doing business:
6 *Provided*, That nothing in this Act shall be construed to preclude a DU from pursuing
7 civil, criminal, or administrative remedies against any person found liable for pilferage,
8 meter tampering, or other acts giving rise to Non-Technical Loss under Republic Act
9 No. 7832 or other applicable laws.

10
11 **SEC. 5. Segregation and Computation of System Loss.**– Every Distribution
12 Utility shall segregate its Technical Loss and Non-Technical Loss in accordance with
13 the methodology prescribed by the ERC. The System Loss Rate chargeable to
14 consumers shall be computed and based solely on the Technical Loss component,
15 subject to the caps and rate-setting methodology to be prescribed by the ERC
16 pursuant to Section 43(f) of Republic Act No. 9136, as amended by this Act.

17
18 **SEC. 6. Amendment of Section 43(f) of Republic Act No. 9136.** – Section 43(f)
19 of Republic Act No. 9136, otherwise known as the “Electric Power Industry Reform Act
20 of 2001,” is hereby amended to read as follows:

21
22 *“SEC. 43. Functions of the ERC.* – The ERC shall promote competition,
23 encourage market development, ensure customer choice and penalize abuse
24 of market power in the restructured electricity industry. In appropriate cases,
25 the ERC is authorized to issue cease and desist order after due notice and
26 hearing. Towards this end, it shall be responsible for the following key functions
27 in the restructured industry:

28
29 x x x

30 (f) x x x To achieve this objective and to ensure the complete removal of
31 cross subsidies, the cap on the recoverable rate of system losses
32 prescribed in Section 10 of Republic Act No. 7832 is hereby amended and
33 shall be replaced by caps which shall be determined by the ERC based
34 on load density, sales mix, cost of service, delivery voltage and other
35 technical considerations it may promulgate. **THE RECOVERABLE RATE**
36 **OF SYSTEM LOSSES THAT MAY BE CHARGED TO CONSUMERS**
37 **SHALL BE LIMITED EXCLUSIVELY AND SOLELY TO TECHNICAL**
38 **LOSS. IN NO CASE SHALL NON-TECHNICAL LOSS, OR ANY COST**
39 **ARISING THEREFROM, BE INCLUDED IN THE COMPUTATION OF**
40 **THE RECOVERABLE RATE OF SYSTEM LOSSES OR BE CHARGED,**
41 **IN ANY FORM, TO CONSUMERS.** The ERC shall determine such form
42 or rate-setting methodology, which shall promote efficiency **AND**
43 **TRANSPARENCY.** x x x ”

44 x x x

1
2 *SEC. 7. Annual Review of System Loss Charges.* - All DUs shall submit to the
3 ERC a quarterly sworn statement containing their segregated System Losses
4 indicating Technical Loss and Non-Technical Loss, together with all documents and
5 data supporting such segregation, in the form and manner prescribed by the ERC.

6
7 The ERC shall verify and audit such reports to ensure compliance with this Act
8 and shall annually review the System Loss Charges imposed by DUs to ensure that
9 only allowable Technical Losses, within the applicable caps prescribed under Republic
10 Act No. 9136, as amended by this Act, are recovered from consumers.

11
12 *Provided,* That failure of a DU to comply with the reportorial requirements under
13 this Section shall subject it to the administrative penalties prescribed by the ERC,
14 including, where appropriate, the suspension or revocation of its licenses or permits,
15 without prejudice to the imposition of other penalties under this Act.

16
17 *SEC. 8. Administrative Offenses and Penalties.* – Any DU, or any of its
18 responsible officers, found to have violated the provisions of this Act shall, after due
19 notice and hearing, be liable for the following penalties, without prejudice to any
20 applicable civil or criminal liability:

21
22 (a). First offense – a fine of not less than Five Hundred Thousand Pesos
23 (₱500,000.00) but not more than One Million Pesos (₱1,000,000.00);

24 (b). Second offense – a fine of not less than One Million Pesos
25 (₱1,000,000.00) but not more than Five Million Pesos (₱5,000,000.00), and
26 suspension of the Distribution Utility's certificate of compliance for a period to
27 be determined by the ERC; and

28 (c). Third and subsequent offenses – revocation of the DU's certificate
29 of compliance or recommendation for appropriate action against its franchise,
30 as provided by law, as applicable, without prejudice to the filing of appropriate
31 criminal charges against responsible officers.

32
33 All fines collected under this Section shall accrue to a consumer fund to be
34 administered by the ERC for the benefit of affected consumers.

35
36 *SEC. 9. Refund of Non-Technical Loss Charges.* – Any amount collected by a
37 DU from its consumers on account of Non-Technical Loss after the effectivity of this
38 Act shall be refunded or credited to the consumers concerned, in accordance with the
39 rules prescribed by the ERC.

40
41 *SEC. 10. Implementing Rules and Regulations.* - Within ninety (90) days from
42 the effectivity of this Act, the ERC, in coordination with the Department of Energy and
43 the National Electrification Administration and in consultation with relevant

1 stakeholders, including consumer organizations, shall promulgate the necessary rules
2 and regulations to implement the provisions of this Act.

3
4 SEC. 11. *Separability Clause.* - If any portion or provision of this Act is declared
5 unconstitutional, the remainder of this Act or any provisions not affected thereby shall
6 remain in force and effect.

7
8 SEC. 12. *Repealing Clause.* - Any law, presidential decree or issuance,
9 executive order, letter of instruction, rule or regulation inconsistent with the provisions
10 of this Act is hereby repealed or modified accordingly.

11
12 SEC. 13. *Effectivity.* - This Act shall take effect fifteen (15) days following its
13 complete publication in the Official Gazette or a newspaper of general circulation.

Approved,