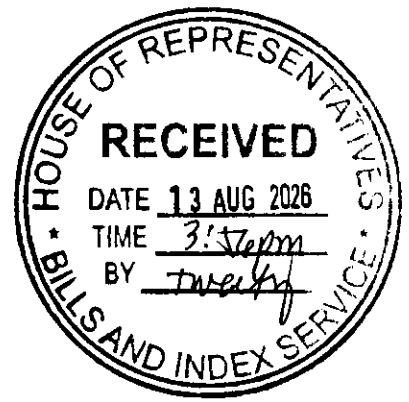




Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City



TWENTIETH CONGRESS
Second Regular Session

HOUSE BILL NO. 10795

Introduced by Hon. Jonathan Keith T. Flores

EXPLANATORY NOTE

Electricity is an essential service, yet Filipino consumers continue to face rising power costs. In the first half of 2026, the standard residential electricity rate of Meralco increased from ₱12.9508 per kilowatt-hour (kWh) in January to ₱14.4833 per kWh in June, representing an increase of approximately 11.8% in just six months¹. The sharp increase in electricity prices underscores the urgent need to examine every component of the electricity bill and ensure that consumers pay only for reasonable and necessary costs.

Among the charges borne by consumers is the system loss charge, which allows electricity losses incurred in the distribution system to be recovered through consumers' electricity bills. Under the existing law and regulatory framework, rural electric cooperatives may recover system losses from consumers up to 14%, while private electric utilities may recover up to 9.5%². Consumers, however, have no control over technical inefficiencies, aging infrastructure, or electricity pilferage occurring within the distribution network. They should not be made to shoulder the financial consequences of losses that are beyond their control.

This measure seeks to amend Republic Act No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001," by removing system loss charges from electricity bills and placing greater responsibility on distribution utilities and electric cooperatives to reduce losses, improve operational efficiency, prevent pilferage, and invest in modern and reliable distribution infrastructure.

At a time when every peso matters, consumers should pay for the electricity they actually use—not for losses they cannot prevent or control. By eliminating system loss charges, this measure advances a fairer, more accountable, and more efficient electricity distribution system while providing much-needed relief to Filipino consumers.

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

JONATHAN KEITH T. FLORES
2nd District, Bukidnon

¹Higher Residential Rates this June 2026 <https://company.meralco.com.ph/news-and-advisories/higher-residential-rates-june-2026>

²1% cap on power system loss charges proposed in Senate
<https://www.pna.gov.ph/articles/1275476>



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HOUSE BILL NO. 10795

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AN ACT
REMOVING SYSTEM LOSS CHARGES FROM THE ELECTRICITY RATES
BORNE BY END-USERS AMENDING SECTIONS 4, 36 AND 43(f) OF 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. Section 4 of the Republic Act (RA) No. 9136 is hereby amended as follows:

“Section 4. Definition of Terms. –

(a) ...

...

(AAA) SYSTEM LOSS REFERS TO ANY LOSS OF ELECTRICITY OCCURRING IN THE TRANSMISSION AND DISTRIBUTION OF ELECTRIC POWER, WHETHER TECHNICAL LOSSES ATTRIBUTABLE TO THE PHYSICAL CHARACTERISTICS AND OPERATING CONDITIONS OF THE ELECTRIC POWER SYSTEM, OR NON-TECHNICAL, WHICH MAY INCLUDE ELECTRICITY PILFERAGE, ILLEGAL CONNECTIONS, METER TAMPERING, UNAUTHORIZED USE OF ELECTRICITY, INACCURATE OR DEFECTIVE METERING, BILLING ERRORS, ADMINISTRATIVE DEFICIENCIES, AND OTHER AVOIDABLE CAUSES;

...

SECTION 2. Section 36 of Republic Act (RA) No. 9136 is hereby amended to read as follows:

“SEC. 36. Unbundling of Rates and Charges. —

...

THE RATES CHARGED BY A DISTRIBUTION UTILITY SHALL BE UNBUNDLED IN ACCORDANCE WITH THE GUIDELINES AND METHODOLOGY TO BE PRESCRIBED BY THE ENERGY REGULATORY COMMISSION (ERC). THE UNBUNDLED RATES SHALL SEPARATELY IDENTIFY THE CHARGES ATTRIBUTABLE TO THE GENERATION, TRANSMISSION, DISTRIBUTION, SUPPLY, METERING, AND OTHER AUTHORIZED CHARGES, AS MAY BE DETERMINED BY THE ERC.

THE UNBUNDLED RATES CHARGED TO END-USERS SHALL NOT INCLUDE ANY SYSTEM LOSS CHARGE. SYSTEM LOSSES SHALL NOT CONSTITUTE A SEPARATE RATE COMPONENT OR CHARGE THAT MAY BE IMPOSED UPON, PASSED THROUGH TO, OR RECOVERED FROM END-USERS, WHETHER DIRECTLY OR INDIRECTLY."

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

"Section 43(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. NO SYSTEM LOSS CHARGE, OR PERCENT THEREOF, SHALL BE INCLUDED IN THE RATES CHARGED TO END-USERS. 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:

(i) ...

...

(iii) In determining eligible cost of services that will be passed on to the end-users, the ERC shall establish minimum efficiency performance standards for the TRANSCO and distribution utilities including systems losses, interruption frequency rates, and collection efficiency.

(IV) SYSTEM LOSSES SHALL BE CONSIDERED SOLELY AS AN EFFICIENCY AND PERFORMANCE INDICATOR AND SHALL NOT CONSTITUTE AN ELIGIBLE COST OF SERVICE OR A RECOVERABLE RATE COMPONENT THAT MAY BE IMPOSED UPON, PASSED THROUGH TO, OR RECOVERED FROM END-USERS, WHETHER DIRECTLY OR INDIRECTLY, AS A SEPARATE CHARGE OR AS PART OF ANY TRANSMISSION, DISTRIBUTION, SUPPLY, OR OTHER ELECTRICITY RATE OR CHARGE;

...

SECTION 4. Prohibition Against Circumvention. No distribution utility, electric cooperative, or other entity subject to the jurisdiction of the Energy Regulatory Commission shall circumvent the provisions of this Act by renaming, reclassifying, reallocating, embedding, or incorporating a systems loss charge into any other tariff, rate, fee, adjustment, or billing component for the purpose or effect of recovering such charge from end-users.

SECTION 5. Repealing Clause. All laws, decrees, executive orders, rules and regulations, issuances, or parts thereof which are inconsistent with the provisions of this Act are hereby repealed, amended, or modified accordingly.

SECTION 6. Separability Clause. If for any reason, any provision of this act is declared unconstitutional or invalid, the other parts or provisions hereof which are not affected thereby shall continue to be in full force and effect.

SECTION 7. Effectivity. This Act shall take effect fifteen (15) days after its publication in the *Official Gazette* or in a newspaper of general circulation.

Approved.