



Republic of the Philippines
House of Representatives
Quezon City, Metro Manila

TWENTIETH CONGRESS
Second Regular Session

HOUSE BILL NO. 10862



Introduced by REPRESENTATIVE CHEENO MIGUEL D. ALMARIO

EXPLANATORY NOTE

It has been more than 25 years since the passage of Republic Act No. 9136 or the Electric Power Industry Reform Act (EPIRA). While this measure restructured the energy sector in the country to ensure reliable electric supply, crucial amendments thereto are said to be long overdue to be responsive to the realities faced by Filipino households.

One of the main burdens of the Filipino Household is the rising electricity costs, with the Philippines recorded to have the highest electricity rates in Southeast Asia¹. One of the significant factor to this burden is the practice of on system loss charges to end-users. Under Section 43(f) of EPIRA, distribution utilities (DUs) and electric cooperatives (ECs) are legally allowed to pass system loss charges directly onto end-users. While Energy Regulatory Commission (ERC) enforces a recoverable system loss cap for private DUs at 5.5% to 6.5%, other ECs, particularly those operating across Mindanao and rural provinces, are permitted pass-through caps of up to 12.0% to 12.5%. This disparity places an unequal financial strain on households in rural areas and Mindanao, where consumers pay significantly higher bills to cover operational inefficiencies, technical line losses, and non-technical losses like power pilferage and theft.

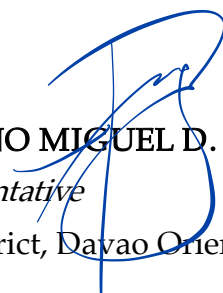
¹ Lelis, Brix. "DOE: Philippines power rates now highest in SEA." The Philippine Star, 21 Jul. 2026, <https://www.philstar.com/headlines/2026/07/21/2543545/doe-philippines-power-rates-now-highest-sea>. Accessed 16 Aug. 2026.

Because these losses fall squarely within the operational control of distributors, current policy unfairly socializes business failures by shifting the cost onto captive consumers who receive no benefit from energy they never consumed.

To address this, this measure seeks to reform the system loss pass-through framework to protect end-users and mandate true utility accountability. Through the removal of the system loss pass-through charges, we protect consumer interest and encouraging DUs and ECs to protecting the interest of the Filipino consumers by ensuring that they no longer pay for “ghost electricity” due to technical and non-technical system losses, and (2) encourage the DUs and ECs to improve operations through investment of modern infrastructures and efficient technologies to minimize or eliminate operational losses and inefficiencies.

By requiring DUs and ECs to absorb operational inefficiencies rather than passing them on to end-users, this bill restores fairness to power pricing and safeguards the welfare of the Filipino households.

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



CHEENO MIGUEL D. ALMARIO
Representative
2nd District, Davao Oriental



Republic of the Philippines
House of Representatives
Quezon City, Metro Manila

TWENTIETH CONGRESS
Second Regular Session

HOUSE BILL NO. 10862

Introduced by **REPRESENTATIVE CHEENO MIGUEL D. ALMARIO**

**AN ACT REMOVING SYSTEMS LOSS AS A SEPARATE COMPONENT OF
ELECTRICITY BILLS, AMENDING FOR THE PURPOSE SECTIONS 25 AND 43
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. Short Title. – This Act shall be known as “**Systems Loss Charge Abolition Act**”

Section 2. Declaration of Policy. – It is the declared policy of the State to ensure the affordability of the supply of electric power, ensure transparent and reasonable prices of electricity in a fair competition and full public accountability, and protect the consumer interest against the operational inefficiencies and electricity losses attributable to distribution utilities, electric cooperative, and other industry actors.

Section 3. Prohibition on the Pass-Through of System Loss. – No distribution utility or electric cooperative shall bill, collect or otherwise pass on any system loss charge or equivalent charges, whether as a separate line item, as a component of any other charge, or in any other form or denomination, to end-users

All system losses shall be treated as part of the operational responsibility of the concerned distribution utility, subject to performance standards established by the Energy Regulatory Commission.

Section 4. Section 25 of Republic Act No. 9136 is hereby amended to read as follows:

“Sec. 25. Retail Rate. – The retail rates charged by distribution utilities for the supply of electricity in their captive market shall be subject to regulation by the ERC based on the principle of full recovery of prudent and reasonable economic costs incurred, or such

other principles that will promote efficiency as may be determined by the ERC.

Every distribution utility shall identify and segregate in its bills to end-users the components of the retail rate, as defined in this Act: **PROVIDED, THAT NO DISTRIBUTION UTILITY SHALL PASS ON ANY SYSTEM LOSSES THROUGH DISTRIBUTION WHEELING CHARGES, SUPPLY CHARGES, METERING CHARGES, UNIVERSAL CHARGES, SUBSIDIES, OR ANY OTHER ITEM IN THE BILL.**”

Section 5. Section 43 (f) of Republic Act No. 9136 is hereby amended to read as follows:

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

“xxx

“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 ERC SHALL DETERMINE THE EXTENT TO WHICH THE COST OF ELECTRICITY NECESSARILY CONSUMED IN THE EFFICIENT OPERATION OF A DISTRIBUTION SYSTEM MAY BE RECOVERED AS PART OF THE DISTRIBUTION WHEELING CHARGES

“NO COST ATTRIBUTABLE TO ILLEGAL USE OF ELECTRICITY OR ELECTRICITY THEFT, THEFT OR DESTRUCTION OF ELECTRIC POWER LINE, EQUIPMENT, OR MATERIAL, DEFECTIVE OR INACCURATE METERING, BILLING OR COLLECTION DEFICIENCIES, INADEQUATE MAINTENANCE, INEFFICIENT OPERATIONS, NEGLIGENCE, OR OTHER CAUSES REASONABLY WITHIN THE CONTROL OF THE DISTRIBUTION UTILITY SHALL BE RECOVERED FROM END-USERS.

“THE ERC SHALL PROVIDE FOR THE PHASED IMPLEMENTATION OF THIS PARAGRAPH, TAKING INTO ACCOUNT CONSUMER PROTECTION, THE RELIABILITY OF ELECTRIC SERVICE, AND THE VIABILITY OF DISTRIBUTION UTILITIES: PROVIDED, THAT THE TRANSITION SHALL BE TIME-BOUND AND SHALL

REQUIRE THE PROGRESSIVE REDUCTION OF COSTS RECOVERABLE FROM END-USERS.

“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 shall be non-discriminatory.

“xxx

“In case the rate setting methodology used is RORB, it shall be subject to the following guidelines:

“xxx

“3. 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;

“xxx”

Section 6. Implementing Rules. – Within ninety (90) calendar days from the effectivity of this Act, the ERC, in consultation with the Department of Energy, distribution utilities, consumer groups, and other stakeholders, shall promulgate the rules and regulations necessary for its implementation.

The rules shall provide for the determination of prudent and reasonable costs necessarily incurred in the efficient operation of distribution systems, the disallowance of costs attributable to causes within the control of distribution utilities, and a phased transition not exceeding three (3) years from the effectivity of the rules.

Section 7. Separability Clause. – If any provision of this Act is declared invalid or unconstitutional, the other provisions not affected by such declaration shall remain in full force and effect.

Section 8. Repealing Clause. – All laws, executive orders, decrees, rules and regulations, or any part thereof inconsistent with the provision of this Act are deemed repealed or modified accordingly.

Section 9. Effectivity. – This Act shall take effect after fifteen (15) days following its publication in the Official Gazette or in a newspaper of general circulation.

Approved,