

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

TWENTIETH CONGRESS
Second Regular Session

House Bill No. 11245



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

EXPLANATORY NOTE

Electricity is an essential commodity that directly affects the daily lives of Filipino households, businesses, and industries. Ensuring that electricity rates remain fair, reasonable, and affordable is therefore a vital concern of the State.

Under the existing framework, system losses incurred in the distribution of electricity may be reflected in the rates charged to consumers. These losses may result from technical inefficiencies, inadequate infrastructure, pilferage, and other conditions within the distribution system. Consumers, however, have no control over the operation, maintenance, efficiency, or security of the distribution system and should not be made to bear the cost of such losses.

This measure seeks to prohibit distribution utilities and electric cooperatives from passing on or recovering system loss charges from electricity consumers, directly or indirectly. It likewise directs the Energy Regulatory Commission (ERC), in coordination with the Department of Energy (DOE) and other stakeholders concerned, to establish the necessary mechanisms to implement the prohibition and ensure that such charges are excluded from consumer billing.

The measure aims to strengthen consumer protection, promote accountability and efficiency among distribution utilities, and ensure that consumers pay only for the electricity they actually consume.

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


ERIC L. OLIVAREZ

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**“AN ACT
PROHIBITING THE PASS-THROUGH AND RECOVERY OF
SYSTEM LOSS CHARGES FROM ELECTRICITY CONSUMERS,
AMENDING FOR THE PURPOSE 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:*

SECTION 1. Title of the Act. - This Act shall be known as the “*System
Loss Charges Abolition Act of 2026.*”

SECTION 2. Declaration of Policy. – It is hereby declared the policy of
the State to protect electricity consumers from unreasonable, excessive, and
avoidable charges, without compromising the viability, reliability, and
sustainability of electric distribution utilities and electric cooperatives.
Electricity is an essential commodity and a fundamental component of
economic and social development. The State shall ensure that the legitimate
costs of electricity distribution are fairly and equitably allocated, and that
consumers shall not be burdened with charges arising from system losses
attributable to the operation, management, maintenance, or inefficiency of the
distribution system.

**SECTION 3. Prohibition on the Pass-Through and Recovery of
System Losses.** - No distribution utility, including private distribution utilities
and electric cooperatives, shall pass on, recover, collect, or otherwise charge to
consumers, directly or indirectly, any cost, charge, or amount attributable to
system losses, regardless of the nature, cause, source, or classification of such
losses.

No system loss charge or any equivalent charge shall be included in,
incorporated into, or recovered through electricity rates, charges, adjustments,
surcharges, or other amounts billed to electricity consumers.

The prohibition under this Section shall be implemented in accordance with the rate-setting and regulatory powers of the Energy Regulatory Commission (ERC) under Republic Act No. 9136, otherwise known as the “Electric Power Industry Reform Act of 2001,” and other applicable laws, rules, and regulations.

SECTION 4. Harmonization with Republic Act No. 9136. - The pertinent provisions of Republic Act No. 9136, otherwise known as the “Electric Power Industry Reform Act of 2001,” and its implementing rules and regulations relating to the recovery or pass-through of system loss charges to electricity consumers shall be deemed amended or modified insofar as they are inconsistent with the provisions of this Act.

The ERC shall adopt the necessary regulatory measures to ensure that system loss charges prohibited under this Act are excluded from electricity rates and consumer billing.

SECTION 5. Implementing Rules and Regulations. - Within sixty (60) days from the effectivity of this Act, the ERC, in consultation with the Department of Energy (DOE), the National Transmission Corporation (TRANSCO), electric distribution utilities, electric cooperatives, and other stakeholders concerned, shall promulgate the rules and regulations necessary to carry out and enforce the provisions of this Act.

The rules and regulations shall establish the appropriate mechanisms for the identification, exclusion, monitoring, and regulatory treatment of system loss charges, consistent with the policy and objectives of this Act.

SECTION 6. Repealing Clause.- All laws, acts, decrees, executive orders, rules, regulations, issuances, or parts thereof which are contrary to or inconsistent with the provisions of this Act are hereby repealed, amended, or modified accordingly.

SECTION 7. Separability Clause.- If any provision of this Act is declared unconstitutional or invalid, the validity of the remaining provisions hereof shall not be affected thereby.

SECTION 8. Effectivity. - This Act shall take effect fifteen (15) days after its complete publication in the Official Gazette or in at least two (2) newspapers of general circulation in the Philippines.

Approved.