

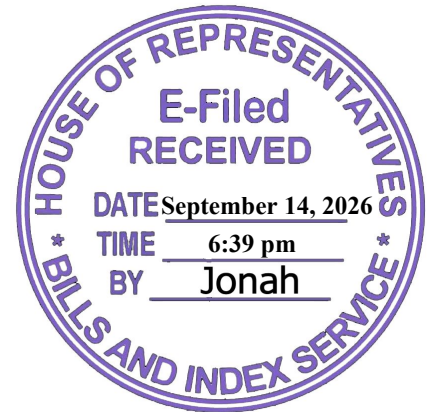


Republic of the Philippines
House of Representatives
Quezon City

TWENTIETH CONGRESS

Second Regular Session

House Bill No. 11313



Introduced by

Sergio C. Dagooc, APEC Party-List

Presley C. De Jesus, PhilRECA Party-List

EXPLANATORY NOTE

At every stage of the electric system—from generation power plants to substations of distribution utilities (DUs) up to household outlets—there are bound to be energy losses. System losses are inherent when electricity is transported from one place to another due to several reasons such as heat, noise, pilferage, and technical losses. The only way to zero-out system loss in the power system is to turn the power off.

In a Senate Committee on Energy hearing conducted last 2017, a number of DUs presented simulations if reduction of technical losses to 5% will be required from them. Using 2017 financial parameters, Angeles Electric Corp. will need to spend P892 million, Cagayan Electric Power and Light Company will be needing P1.84 billion, and Meralco would have to spend P65.53 billion. Repeated simulations showed that the costs that the utilities will incur in investing on infrastructure will significantly outweigh any possible decrease in the system loss charge. Capital Expenditure (CAPEX) is a pass on charge to the consumers, hence it will eventually lead to electricity rate increases to customers.

Since it is scientifically and technically impossible to eliminate system losses completely, governments and electric regulators around the world allow electric DUs to recover minimal system loss rates as part of their regulated charges. In the Philippines, the Congress enacted the Anti-Electricity Pilferage Act of 1994, which set an initial cap on losses that was gradually reduced

over time. In 2017, the ERC issued a resolution further reducing the cap to its present level of 5.50 percent for private DUs and 12 to 8.25 percent for electric cooperatives.

Recognizing the urgent need to mitigate the rapid increase of electricity rates while also taking into account the viability of distribution operations, this bill seeks to regulate and reduce system losses by institutionalizing a set of rules on the allowable systems loss cap of electric distribution utilities. As such, this measure is ultimately aimed at enhancing the efficiency and competitiveness of DUs in their delivery of electric service to the public. More importantly, this bill is envisioned to cushion the impact of electricity bill spikes to Filipino consumers as well as inflation and impending surges in fuel costs and other commodities.

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



REP. SERGIO C. DAGOOC
APEC Party-List



REP. PRESLEY C. DE JESUS
PhilRECA Party-List



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AN ACT

**INSTITUTIONALIZING THE RULES ON SYSTEM LOSS CAP OF ELECTRIC
DISTRIBUTION UTILITIES, AMENDING FOR THE PURPOSE
REPUBLIC ACT NO. 7832 AND REPUBLIC ACT NO. 9136**

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

SECTION 1. Short Title. – This Act shall be known as the “Distribution
System Loss Act of 2026.”

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

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

For the purposes of this Act, transmission loss shall mean the difference
between kilowatt-hour (kWh) delivered by the generation company to a
distribution utility as indicated in the powerplant billing meter installed at the

plant gate and the kWh eventually received by the substation of an individual distribution utility as indicated in the billing meter installed in the delivery point.

SEC. 4. Distribution System Loss (DSL) Caps for Private Distribution Utilities. – Private distribution utilities are hereby allowed to pass on system losses to their consumers only to the extent that these system losses result from design fault and technical loss as defined by the Energy Regulatory Commission (ERC), which in no case shall be more than five percent (5%).

SEC. 5. Distribution System Loss (DSL) Caps for Electric Cooperatives. – Distribution utilities are hereby allowed to pass on system losses to their consumers only to the extent that these system losses result from design fault and technical loss as defined by the Energy Regulatory Commission (ERC), which in no case shall be more than the following percentages:

A. Cluster 1 – 12%

B. Cluster 2 – 10.25%

C. Cluster 3 – 8.25%

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

SEC. 6. Electric Cooperatives Clusters. – For the application of the DSL Caps for Electric Cooperatives, they shall be grouped into three (3) clusters namely:

Cluster 1				
BANELCO	DIELCO	MARIPIPI	PROSIELCO	TIELCO
BASELCO	FICELCO	MASELCO	ROMELCO	TISELCO
BATANELCO	IFELCO	MOPRECO	SIARELCO	

BISELCO	KAELCO	OMECO	SIASELCO	
CASELCO	LUBELCO	OREMCO	SULECO	
CELCO	MARELCO	PALECO	TAWELCO	

Cluster 2				
ABRECO	CASURECO I	LILECO III	NEECO II - AREA II	SAMELCO II
AKELCO	CASURECO II	INEC	NOCECO	SOLECO
ALECO	CASURECO III	ISECO	NONECO	SOLECO I
ANECO	CASURECO IV	ISELCO I	NORECO I	SOLECO II
ANTECO	CEBECO I	ISELCO II	NORECO II	SUKELCO
ASELCO	CEBECO II	LANECO	NORSAMELCO	SURNECO
AURELCO	CEBECO III	LASURECO	NUVELCO	SURSECO I
BATELEC I	CENPELCO	LEYECO I	PANELCO I	SURSECO II
BENECO	COTELCO	LEYECO III	PANELCO III	TARELCO I
BILECO	DANECO	LEYECO IV	PELCO I	TARELCO II
BOHECO I	DASURECO	LEYECO V	PELCO II	ZAMECO I
BOHECO II	DORECO	LUELCO	PELCO III	ZAMECO II

BUSECO	ESAMELCO	MAGELCO	PRESCO	ZAMSURECO I
CAGELCO I	FIBECO	MOELCI I	QUEZELCO I	ZAMSURECO II
CAGELCO II	FLECO	MOELCI II	QUEZELCO II	ZIANECO
CAMELCO	GUIMELCO	MORESCO II	QUIRELCO	
CANORECO	ILECO I	NEECO I	SAJELCO	
CAPELCO	ILECO II	NEECO II - AREA I	SAMELCO I	

Cluster 3			
BATELEC II	PENELCO	CENECO	SOCOTECO II
MORESCO I	SOCOTECO I	LEYECO II	ZAMCELCO

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

4 **SEC. 7. Powers and Functions of the Energy Regulatory**
5 **Commission.** – In addition to its functions under Republic Act No. 9136, the
6 ERC shall:

- 7 a. Determine, as often as is necessary, whether the caps shall be reduced
8 further on the basis of load density, sales mix, cost of service, delivery
9 voltage, and other technical considerations, as well as international
10 benchmarks, taking into account the viability of DUs and ECs and the
11 interest of the consumers;
- 12
13 b. Exercise the emergency power, when deemed necessary, to increase the
14 system loss rates caps as prescribed by this act;

- 1 c. Review and verify the system loss charges reported by distribution
2 utilities to ensure that only legitimate costs are borne by the
3 consumers.
4
- 5 d. Technical system losses shall remain an eligible cost of service
6 recoverable from end-users only when such losses are directly
7 attributable to the physical operation of transmission or distribution
8 facilities properly measured and documented within the maximum
9 allowable technical system-loss rate approved by the ERC.
10
- 11 e. The ERC shall determine the treatment, resolution, and disposition of
12 non-technical system losses, including whether, to what extent, and
13 under what conditions such losses may be recovered, disallowed,
14 absorbed, or otherwise addressed, taking into account the protection of
15 end-users, the financial and operational viability of distribution utilities
16 and electric cooperatives, the reliability and continuity of electric
17 service, and the accountability of the distribution utility or electric
18 cooperative concerned for such losses.

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

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

34 **SEC. 9. Emergency Clause.** – The application of allowable system loss
35 rates provided in this Act shall be suspended upon the occurrence of the
36 following: acts of God, riots, war, terrorist act, epidemic, pandemic, civil
37 commotion, natural catastrophes, and other emergency circumstances
38 wherein the distribution utility is unable to accurately determine the energy
39 sold because of damage or loss of consumers billing meters and other facilities
40 used in the determination of the consumers energy consumption, as
41 determined by the ERC.

1 **SEC. 10. *Implementing Rules and Regulations.*** – The ERC, in
2 consultation with concerned government agencies and stakeholders, shall
3 promulgate the Implementing Rules and Regulations necessary to carry out
4 and implement the provisions of this Act within sixty days (60) from the
5 effectivity of this Act.

6 **SEC. 11. *Repealing Clause.*** – All laws, presidential decrees, executive
7 orders, letters of instruction, administrative rules and regulations or parts
8 thereof which is are contrary to or inconsistent with the provisions of this Act
9 are hereby repealed or modified accordingly.

10 **SEC. 12. *Separability Clause.*** – If any of the sections or provisions of
11 this Act is held invalid, all other provisions not affected thereby shall remain
12 valid.

13 **SEC. 13. *Effectivity Clause.*** – This Act shall take effect after fifteen
14 (15) days following its complete publication in the Official Gazette or in two
15 (2) newspapers of general circulation whichever is earlier.

16 *Approved,*