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SENATE
S.B. 2551

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Introduced by SENATOR VILLAR

EXPLANATORY NOTE


Republic Act No. 7832 otherwise known as an "Act Penalizing the Pilferage of Electricity and Theft of Electric Power Transmission Lines/Material, Rationalizing system losses by phasing out pilferage losses as a component thereof, and for other purposes", which was enacted in 8 December 1994. R.A. No. 7832 rationalizes the recoverable system losses of electric consumers. The provision is substantially affected by the enactment of Republic Act No. 9136 otherwise known as the Electric Power Industry Reform Act of 2001, which authorized the Energy Regulatory Commission (ERC) to determine the just and reasonable caps on the imposition of system loss.

At present, private distribution utilities and rural cooperatives are allowed to pass as much as nine and a half percent (9.5%) and fourteen percent (14%) respectively, of their total system losses to the consumers. System losses may be technical or non-technical. Technical losses are those that pertains to losses of electricity in the form of heat due to design fault, administration inefficiencies as well as the electric consumption of the distributors for their operation. Non-technical technical losses refers to those which are due to pilferage.

But one thing is certain, electricity prices in the country keep rising, so much so that in Southeast Asia, electricity cost in the Philippines are billed as the region's second highest. Unfortunately, instead of protecting the consumers against continuous increase of electricity prices, this provision of the EPIRA law is being taken advantage of by the some companies in the power industry in the guise of systems loss.

The 1987 Philippine Constitution provides that the State shall free the people from poverty through policies that provide adequate social services. It is guided by this provision that this legislation is submitted, to unburden the general public from shouldering the costs of losses. It is the intention of this proposal by completely removing the recoverable systems loss allowed to be charged by private electric distribution utilities and restrict recoverable composition of system losses.

In view thereof, the passage of this measure is earnestly urged.


MANNY VILLAR

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FIFTEENTH CONGRESS OF THE REPUBLIC
OF THE PHILIPPINES
First Regular Session

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S.B. No. 2551

Introduced by SENATOR MANNY VILLAR

AN ACT REMOVING THE ALLOWABLE SYSTEMS LOSS FROM PRIVATE UTILITY COMPANIES AND REDUCING THE CAP RECOVERABLE SYSTEM LOSSES OF RURAL ELECTRIC COOPERATIVES FROM FOURTEEN PERCENT (14%) TO FIVE PERCENT (5%) AMENDING FOR THE PURPOSE REPUBLIC ACT NO 7832, AS AMENDED BY SECTION 43(f) OF THE REPUBLIC ACT NO. 9136, AND REPUBLIC ACT NO. 8424, AS AMENDED BY REPUBLIC ACT NO. 9337, AND FOR OTHER PURPOSES

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

Sec. 1. Declaration of Policy. It is the policy of the State to protect the rights of every electric consumer without comprising the State's assistance to the viability of every electric distributor's operations. Electricity is an indispensable commodity in the economic growth. The supply and demand of the populace must be harmoniously reconciled and considered to attain justifiable and equitable imposition of the electric distribution expenses to the consuming public.

Sec. 2. Allowable System loss that may be passes-on to the Consumers.-Only rural electric cooperatives are hereby allowed to pass-on to the consumers system losses and limited only to design fault and technical loss as defined by the Energy Regulatory Board (ERC), which in no case shall be more than five percent (5%). A system loss charge shall be determined annually based on the previous year's costs and revenues that only legitimate costs are borne by the consumers.

For purposes of this Act, systems loss shall mean the difference between (kilowatt-hour) kWh purchased and/or generated and kWh sold by a rural electric cooperative expresses as a percentage of kWh purchased and/or generated excluding costs due to pilferage, administration inefficiencies and administrative cost.

Sec. 3. Exemption from Value-Added Tax (VAT). - The imposition of system loss in the consumer's bill, although forming part of a rural cooperative's operating expenses, shall not be made subject to twelve percent (12%) Value-Added Tax (VAT) as provided in Section 108 of Republic Act No. 9337.

Sec. 4. *Implementing Rules and Regulations.* – The Department of Energy, in consultation with TRANSCO and the ERC, shall promulgate the implementing Rules and Regulations that shall be necessary to carry out and implement the provisions of this Act within sixty days (60) from the effectivity of this Act,.

Sec. 5. *Repealing Clause.* – All laws, acts, decrees, executive orders, issuances, and rules and regulations or part thereof which are contrary to and inconsistent with any provisions of this Act are hereby repealed, amended, or modified accordingly.

Sec. 6 *Separability Clause.* – if any provision of this Act is subsequently declared unconstitutional, the validity of the remaining provisions, hereof shall remain in full force and effect.

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

Approved