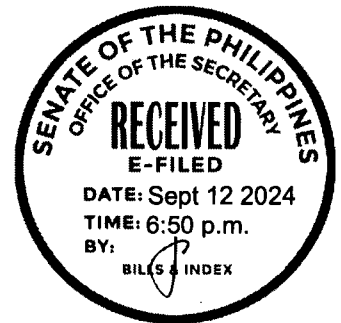


**NINETEENTH CONGRESS OF THE
REPUBLIC OF THE PHILIPPINES**
Third Regular Session

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SENATE

S. B. NO. 2824

Introduced by **SENATOR JOEL VILLANUEVA**

AN ACT RENEWING FOR ANOTHER TWENTY-FIVE (25) YEARS THE FRANCHISE GRANTED TO THE MANILA ELECTRIC COMPANY, AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 9209, ENTITLED, "AN ACT GRANTING THE MANILA ELECTRIC COMPANY A FRANCHISE TO CONSTRUCT, OPERATE AND MAINTAIN A DISTRIBUTION SYSTEM FOR THE CONVEYANCE OF ELECTRIC POWER TO THE END-USERS IN THE CITIES/MUNICIPALITIES OF METRO MANILA, BULACAN, CAVITE AND RIZAL, AND CERTAIN CITIES/MUNICIPALITIES/BARANGAYS IN BATANGAS, LAGUNA, QUEZON AND PAMPANGA," AND FOR OTHER PURPOSES

EXPLANATORY NOTE

The Manila Electric Company (MERALCO) plays a critical role by serving as the largest power distributor in the country, ensuring that both households and businesses within its franchise area have access to stable electricity. MERALCO presently serves thirty-eight (38) cities and seventy-three (73) municipalities, powering 7.6 million customers, comprising seven (7) million households and 580,000 businesses—which collectively account for more than half of the country's Gross Domestic Product (GDP).¹

¹ MERALCO (2022). Sikat - Shining Brighter Than Ever - 2022 Combined Annual and Sustainability Report, p. 14. Available at <https://www.meralco.com.ph/sites/default/files/2023-07/9dbe0013c07df9323ad8578505c9c557.pdf>, last accessed September 12, 2024.

In 2022 alone, MERALCO contributed approximately ₱8.78 billion to government revenues in the form of taxes,² while investing heavily in infrastructure that supports reliable and sustainable electric service. Undoubtedly, MERALCO contributes significantly to the economic vitality of key regions within its franchise areas.

Congruent with the State's objectives of providing universal access to reliable and affordable electricity, improving the international competitiveness of local businesses, and making the Philippines a more attractive investment destination, this measure is being filed with a view to renewing the franchise of MERALCO under Republic Act No. 9209 entitled "An Act Granting the Manila Electric Company a Franchise to Construct, Operate and Maintain a Distribution System for the Conveyance of Electric Power to the End-Users in the Cities/Municipalities of Metro Manila, Bulacan, Cavite and Rizal, and Certain Cities/Municipalities/Barangays in Batangas, Laguna, Quezon, and Pampanga."

The renewal of MERALCO's franchise is sought to ensure the continuous and uninterrupted supply and distribution of quality and reliable electric service to the customers within its franchise area in Metro Manila and adjacent provinces.

As the expiration of MERALCO's franchise approaches in 2028, this Bill seeks to renew the franchise for another twenty-five (25) years. It includes enhanced provisions to ensure public service obligations are met and accountability is reinforced. Key provisions (i) provide increased protection to MERALCO's consumers, to ensure that their interests are promoted and prioritized by MERALCO in its operations, (ii) encourage public participation in the utility sector by establishing a requirement on the dispersal of ownership, and (iii) enhance reportorial requirements to exact a higher level of accountability from MERALCO as it provides an essential public service, among others.

Allowing MERALCO to continue and improve its operations will ensure continued electric service to many key government operations, commercial and industrial hubs, transportation services, and a significant portion of the Philippine population.

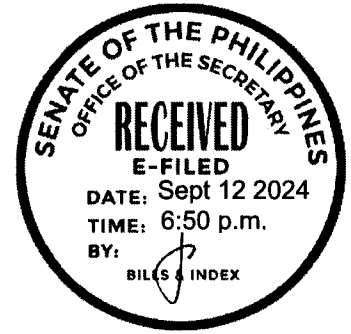
In view of the foregoing, the immediate passage of this bill is earnestly sought.


JOEL VILLANUEVA

² MERALCO (2022). Sikat - Shining Brighter Than Ever - 2022 Combined Annual and Sustainability Report, p. 184. Available at <https://www.eralco.com.ph/sites/default/files/2023-07/9dbe0013c07df9323ad8578505c9c557.pdf>, last accessed September 12, 2024.

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

1
2 **SECTION 1. Nature and Scope of Franchise.** — Subject to the
3 provisions of the Constitution and applicable laws, rules and regulations, the
4 franchise granted to Manila Electric Company (MERALCO), hereunder referred
5 to as the Grantee, its successors or assignees, under Republic Act No. 9209,
6 to construct, operate, manage, and maintain, in the public interest and
7 commercial purposes, a distribution system for the conveyance of electric
8 power to the end-users in the cities and municipalities of Caloocan, Las Piñas,
9 Makati, Malabon, Mandaluyong, Manila, Marikina, Muntinlupa, Navotas,
10 Parañaque, Pasay, Pasig, Pateros, Quezon City, San Juan, Taguig and
11 Valenzuela of Metro Manila; cities and municipalities of Angat, Balagtas,
12 Baliwag, Bocaue, Bulacan, Bustos, Calumpit, Doña R. Trinidad, Guiguinto,
13 Hagonoy, Malolos, Marilao, Meycauayan, Norzagaray, Obando, Pandi,
14 Paombong, Plaridel, Pulilan, San Ildefonso, San Jose del Monte, San Miguel,
15 San Rafael and Sta. Maria, Province of Bulacan; cities and municipalities of
16 Alfonso, Amadeo, Bacoor, Carmona, Cavite, Dasmariñas, Gen. Alvarez,
17 General Emilio Aguinaldo, Gen. Trias, Imus, Indang, Kawit, Magallanes,
18 Maragondon, Mendez, Naic, Noveleta, Rosario, Silang, Tagaytay, Tanza,
19 Ternate and Trece Martires, Province of Cavite; cities and municipalities of
20 Angono, Antipolo, Baras, Binangonan, Cainta, Cardona, Jala-Jala, Montalban,

1 Morong, Pililla, San Mateo, Tanay, Taytay and Teresa, Province of Rizal; cities
2 and municipalities of Batangas, San Pascual and Sto. Tomas, Province of
3 Batangas; cities and municipalities of Alaminos, Bay, Biñan, Cabuyao,
4 Calamba, Calauan, Liliw, Los Baños, Luisiana, Magdalena, Majayjay,
5 Nagcarlan, Pila, Rizal, San Pablo, San Pedro, Sta. Cruz, Sta. Rosa and
6 Victoria, Province of Laguna; cities and municipalities of Candelaria, Dolores,
7 Lucban, Lucena, Mauban, Pagbilao, Sampaloc, San Antonio, Sariaya, Tayabas
8 and Tiaong, Province of Quezon; barangays of Balucuc and Calantipe in Apalit,
9 Pampanga; Barangay Concepcion in San Simon, Pampanga; and barangays
10 of Bahay Pare, Barangca, Dulong Ilog, Magumbali, Mandili, Mapaniqui, Paligui,
11 Pangclara, Pulong Gubat, Pulong Palazan, Salapungan, Vizal San Pablo, Vizal
12 Santo Cristo and Vizal Sto. Niño in Candaba, Pampanga is hereby renewed.

13

14 As used in this Act, "distribution system" refers to the system of wires
15 and associated facilities, including sub-transmission lines belonging to a
16 franchised distribution utility extending between the delivery point on the
17 national transmission system or generating facility and the metering point or
18 facility of the end-users.

19

20 **SEC. 2. Manner and Operation of Facilities.** — All electric distribution
21 facilities, lines, and systems for electric services owned, maintained, operated,
22 or managed by the Grantee, its successors or assignees, shall be operated and
23 maintained at all times in a superior manner, and it shall be the duty of the
24 Grantee, its successors or assignees, whenever required to do so by the
25 Energy Regulatory Commission (ERC) or its legal successor, or the
26 Department of Energy (DOE) or its legal successor, or any other government
27 agency concerned, to modify, improve, and change such facilities or systems
28 in such a manner and to such extent as the progress in science, technology,
29 and improvements or innovations in the electric power services may render
30 reasonable and proper.

31

32 Whenever practicable and for purposes of maintaining order, safety, and
33 aesthetics along highways, roads, streets, alleys, or right-of-way, the Grantee
34 may allow the use of free spaces in its poles, facilities, or right-of-way by
35 interested parties upon the payment of reasonable compensation to the
36 Grantee, considering costs incurred to accommodate and administer the use of
37 the Grantee's facilities by such parties. The ERC shall decide in case of dispute
38 or disagreement between the parties concerned.

39

40 **SEC. 3. Authority of the Energy Regulatory Commission.** — The
41 Grantee shall secure from the ERC or any other government agency which has
42 jurisdiction over the operation of the herein Grantee, the necessary certificate
43 of public convenience and necessity (CPCN) and other appropriate permits and
44 licenses indispensable for the construction and operation of its electric
45 distribution system.

46

47 **SEC. 4. Excavation and Renovation Works.** — For the purpose of
48 erecting and maintaining poles and other supports for the wires or other
49 conductors, or for the purpose of laying and maintaining of underground wires,
50 cables, pipes, or other conductors, the Grantee, its successors or assignees, is

1 authorized to make excavations or lay conduits in any of the public places,
2 highways, roads, streets, lines, alleys, avenues, sidewalks, or bridges of the
3 said province and cities and/or municipalities, subject to prior approval of the
4 Department of Public Works and Highways (DPWH) or the relevant local
5 government unit (LGU) concerned: *Provided, however,* That any public place,
6 highway, road, street, lane, alley, avenue, sidewalk, or bridge disturbed,
7 altered, or changed by reason of erection of poles or other supports or the
8 underground laying of wires, other conductors or conduits, shall be repaired
9 and/or replaced in workmanlike manner at the expense of the Grantee, its
10 successors or assignees, in accordance with the standards set by the DPWH
11 or the relevant LGU concerned.
12

13 Should the Grantee, its successors or assignees, after the ten (10)-day
14 notice from the grant of authority, fail, refuse or neglect to repair or replace any
15 part of a public place, road, highway, street, lane, alley, avenue, sidewalk, or
16 bridge that has been disturbed, altered or changed by the said Grantee, its
17 successors or assignees, then the DPWH or the LGU concerned shall have the
18 right to have the same repaired and/or replaced in good order and condition
19 and charge the Grantee, its successors or assignees, at double the amount of
20 the costs and expenses incurred for such repair or replacement.
21

22 **SEC. 5. Responsibility to the Public.** — The Grantee shall supply
23 electricity to its captive market in the urban and rural portions of its franchise
24 area in the least cost manner. In the interest of the public good and as far as
25 feasible and whenever required by the ERC, the Grantee shall modify, improve,
26 or change its facilities, poles, lines, systems, and equipment for the purpose of
27 providing efficient and reliable service and reduced electricity costs. The
28 Grantee shall only charge reasonable and just power rates for its services to all
29 types of consumers within its franchise area in order that businesses and
30 industries shall be able to compete. The Grantee shall promote and promptly
31 process applications for net-metering connections.
32

33 The Grantee shall have the obligation to provide open and
34 nondiscriminatory access to its distribution system and services for any end-
35 user within its franchise area consistent with Republic Act No. 9136, otherwise
36 known as the "Electric Power Industry Reform Act of 2001." The Grantee shall
37 not engage in any activity that will constitute an abuse of market power, such
38 as, but not limited to, unfair trade practices, monopolistic schemes, and any
39 other activities that will hinder the competitiveness of businesses and
40 industries.
41

42 **SEC. 6. Rates for Services.** — The retail rates and charges for the
43 distribution of electric power by the Grantee to its end-users shall be regulated
44 by and subject to the approval of the ERC or its legal successor.
45

46 The Grantee shall identify and segregate in its electricity bill to the end-
47 users the components of the retail rate pursuant to Republic Act No. 9136,
48 unless otherwise amended. Such rates charged by the Grantee to the end-
49 users shall be made public and transparent. The Grantee shall implement a

1 lifeline rate for marginalized end users for as long as it is in effect as mandated
2 under Republic Act No. 9136, as amended.

3
4 **SEC. 7. Promotion of Consumer Interests.** — The herein Grantee shall
5 establish a platform for consumer concerns to handle consumer complaints and
6 ensure adequate promotion of consumer interests. The Grantee shall act with
7 dispatch on all complaints brought before it. The Grantee shall ensure that such
8 a platform can be remotely accessed through electronic or digital means.

9
10 **SEC. 8. Election of Independent Directors.** — The Board of Directors
11 of the Grantee shall have independent directors constituting at least twenty
12 percent (20%) of its total membership. These directors must be elected by a
13 majority of the outstanding shares entitled to vote.

14
15 An independent director is a person who, apart from shareholding and
16 fees received from the corporation, is independent of management and free
17 from any business or other relationship which could or could reasonably be
18 perceived to materially interfere with the exercise of independent judgment in
19 carrying out the responsibilities as a director.

20
21 **SEC. 9. Right of the Government.** — A special right is hereby reserved
22 to the President of the Philippines in times of war, rebellion, public peril,
23 calamity, emergency, disaster, or disturbance of peace and order to temporarily
24 take over and operate the distribution system of the Grantee; to temporarily
25 suspend the operation of any station or facility in the interest of public safety,
26 security, and public welfare; or to authorize the temporary use and operation
27 thereof by any agency/department of the government upon the payment of due
28 compensation to the Grantee, its successors or assignees, for the use of the
29 said distribution system during the period when it shall so be operated.

30
31 **SEC. 10. Right of Eminent Domain.** — Subject to the limitations and
32 procedures prescribed by law, the Grantee is authorized to exercise the right of
33 eminent domain insofar as it may be reasonably necessary for the efficient
34 establishment, improvement, upgrading, rehabilitation, maintenance and
35 operation of its services. The Grantee is authorized to install and maintain its
36 poles, wires and other facilities over, under and across public property,
37 including streets, highways, forest reserves and other similar property of the
38 government of the Philippines, its branches or any of its instrumentalities. The
39 Grantee may acquire such private property as is actually necessary for the
40 realization of the purposes for which this franchise is granted: *Provided*, That
41 proper expropriation proceedings shall have been instituted and just
42 compensation paid.

43
44 **SEC. 11. Term of Franchise.** — This franchise shall be in effect for a
45 term of twenty-five (25) years from the expiration of the current franchise
46 granted under Republic Act No. 9209, unless the franchise granted under this
47 Act is sooner revoked or canceled by Congress for any violation of the terms
48 and/or provisions of the franchise herein granted. This franchise shall be
49 deemed ipso facto revoked in the event that the Grantee fails to operate
50 continuously for two (2) years.

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SEC. 12. Warranty in Favor of National and Local Governments. — The Grantee shall hold the national, provincial, city, and municipal governments of the Philippines free from all claims, liabilities, demands or actions arising out of accidents that cause injury to persons and/or damage to property during the construction, installation, operation and maintenance of the distribution system of the Grantee.

SEC. 13. Liability for Damages. — The Grantee shall be liable for any injury to persons and/or damage to property arising from or caused by any accident arising from any defective construction of any infrastructure built pursuant to the operation of its business under this franchise, or by any neglect or omission to keep its poles and wires in a safe condition.

SEC. 14. Sale, Lease, Transfer, Grant of Usufruct, or Assignment of the Franchise. — The Grantee shall not sell, lease, transfer, grant the usufruct of, nor assign this franchise or the rights and privileges acquired thereunder to any person, firm, company, corporation, or other commercial or legal entity, nor merge with any other corporation or entity, nor shall transfer the controlling interest of the Grantee, whether in whole or in part, and whether simultaneously or contemporaneously, to any such person, firm, company, corporation or entity without the prior approval of the Congress of the Philippines: *Provided, that,* Congress shall be informed of any sale, lease, transfer, grant of usufruct, or assignment of franchise or the rights and privileges acquired thereunder, or of the merger or transfer of the controlling interest of the Grantee, within sixty (60) days after the completion of the said transaction: *Provided, further, That,* any such transfer, sale, or assignment is in accordance with the constitutional limitations: *Provided, furthermore, That* failure to report to Congress such change of ownership shall render the franchise ipso facto revoked. Any person or entity to which this franchise is sold, transferred or assigned, shall be subject to the same conditions, terms, restrictions and limitations of this Act.

SEC. 15. Dispersal of Ownership. — In accordance with the constitutional provision encouraging public participation in public utilities, the Grantee shall maintain a listing and offer to Filipino citizens at least thirty percent (30%) of its outstanding capital stock or a higher percentage that may hereafter be provided by law in any securities exchange in the Philippines within five (5) years from the effectivity of this Act: *Provided,* That in cases where public offer of shares is not applicable, other methods of encouraging public participation by citizens and corporations operating public utilities must be implemented such as but not limited to establishment of cooperatives. Noncompliance therewith shall render the franchise ipso facto revoked.

SEC. 16. Commitment to Provide and Promote the Creation of Employment Opportunities. — The Grantee shall create employment opportunities and shall allow on-the-job trainings in their franchise operations: *Provided,* That priority shall be accorded to the residents of the franchise area: *Provided, further,* That the Grantee shall comply with the applicable labor standards and allowance entitlement under existing labor laws, rules and regulations and similar issuances: *Provided, finally,* That the employment

1 opportunities or jobs created shall be reflected in the General Information
2 Sheet (GIS) to be submitted to the SEC annually.

3
4 **SEC. 17. Reportorial Requirement.** — The Grantee shall submit an
5 annual report of finances and operations to the Congress of the Philippines,
6 through the Committee on Legislative Franchises of the House of
7 Representatives and the Committee of Public Services of the Senate, on its
8 compliance with the terms and conditions of the franchise and on its operations
9 on or before April 30 of the succeeding year.

10
11 The annual report shall include an update on the rollout, development,
12 operation and/or expansion of the business; audited financial statements; latest
13 GIS officially submitted to the SEC; certification from the ERC on the status of
14 its permits and operations; and an update on the dispersal of ownership
15 undertaking, if applicable.

16
17 The reportorial compliance certificate issued by Congress shall be
18 required before any application for a permit or certificate is accepted by the
19 ERC.

20
21 **SEC. 18. Fine.** — The failure of the Grantee to submit the requisite annual
22 report to Congress shall be penalized by a fine in the amount of One Million
23 Pesos (Php1,000,000.00) per working day of noncompliance. The fine shall be
24 collected by the ERC from the Grantee separate from the reportorial penalties
25 imposed by the ERC and the same shall be remitted to the Bureau of the
26 Treasury.

27
28 **SEC. 19. Equality Clause.** — Any advantage, favor, privilege, exemption,
29 or immunity granted under existing franchises, or which may hereafter be
30 granted upon prior review and approval of Congress, shall become part of this
31 franchise and shall be accorded immediately and unconditionally to the herein
32 Grantee: *Provided, however,* That the foregoing shall neither apply to nor affect
33 provisions concerning territorial coverage, the term, or the type of service
34 authorized by the franchise: *Provided, further,* That the foregoing shall not apply
35 to sale, lease, transfer, grant of usufruct, or assignment of legislative franchises
36 with prior congressional approval.

37
38 **SEC. 20. Applicability Clause.** — The Grantee shall comply with and be
39 subject to the provisions of Commonwealth Act No. 146, or the "Public Service
40 Act" as amended; Republic Act No. 9136, as amended; Republic Act No. 9513,
41 or the "Renewable Energy Act of 2008"; Republic Act No. 11361, or the "Anti-
42 Obstruction of Power Lines Act"; and other applicable laws.

43
44 **SEC. 21. Repealability and Non-Exclusivity Clause.** — This franchise
45 shall be subject to amendment, alteration or repeal by the Congress of the
46 Philippines when the public interest so requires and shall not be interpreted as
47 an exclusive grant of the privileges herein provided for.
48

1 **SEC. 22. Separability Clause.** — If any of the sections or provisions of
2 this Act is held invalid, all other provisions not affected thereby shall remain
3 valid.

4
5 **SEC. 23. Repealing Clause.** — All laws, decrees, orders, resolutions,
6 letter of instructions, and rules and regulations or parts thereof, which are
7 contrary to or inconsistent herewith, are hereby deemed repealed or modified
8 accordingly.

9
10 **SEC. 24. Effectivity.** — This Act shall take effect fifteen (15) days from
11 the date of its publication, upon the initiative of the Grantee, in the Official
12 Gazette or in any newspaper of general circulation in the Philippines.

13
14 **Approved,**