

**SEVENTEENTH CONGRESS OF THE
REPUBLIC OF THE PHILIPPINES**
First Regular Session

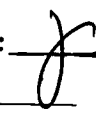


Senate
Office of the Secretary

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SENATE

S.B. NO. 1058

RECEIVED BY: 

INTRODUCED BY: SENATOR EMMANUEL D. PACQUIAO

**AN ACT REMOVING THE ALLOWABLE SYSTEMS LOSS
FROM PRIVATE UTILITY COMPANIES AND REDUCING THE CAP
OF 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 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 House of Representatives of the Philippines in
Congress assembled:*

EXPLANATORY NOTE

The general public has been burdened by high power costs for decades as consumers assume the responsibility of paying the costs of losses incurred by private electric distribution utilities and rural electric cooperatives. This burden has also adversely affected our economy. This proposed bill seeks the total removal of recoverable systems loss from the electric bill, reduction of the cap of recoverable systems losses of rural electric cooperatives from fourteen percent (14%) to five percent (5%), and the exclusion of the value added tax being charged on systems loss from VATable items in every electric bill. Systems losses may be non-technical (i.e. loss of electricity due to pilferage) or technical (i.e. loss 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).

On December 8, 1994, 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" was enacted.

R.A. No. 7832, Section 10 states: *"There is hereby established a cap on the recoverable rate of system losses as follows: (a) For private electric utilities; (i) Fourteen and a half percent (14 1/2%) at the end of the first year following the effectivity of this Act; and (ii) Thirteen and one-fourth percent (13 1/4%) at the end of the second year following the effectivity of this Act; (iii) Eleven and three-fourth percent (11 3/4%) at the end of the third year following the effectivity of this Act; (iv) Nine and a half percent (9 1/2%) at the end of the fourth year following the effectivity of this Act. Provided, That the ERB is hereby authorized to determine at the end of the fourth year following the effectivity of this Act, and as often as necessary taking into the account the viability of private electric utilities and the interest of the consumers, whether the caps herein or therefor established shall be reduced further which shall, in no case, be lower than nine percent (9%) and according accordingly fix the date of the effectivity of the new caps: Provided, further, that in the calculation of the system loss, power sold by the NPC or any other entity that supplies power directly to a consumer and not through the distribution system of the private electric utility shall not be counted even if the billing for the said power used is through the private electric utility."*

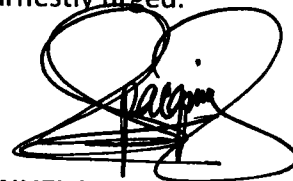
On June 8, 2001, Republic Act No. 9136 otherwise known as the "Electric Power Industry Reform Act of 2001" (EPIRA) was passed. This landmark law that promised reforms in the power sector allows power utilities to recover a portion of their system losses from consumers and permits the Energy Regulatory Commission (ERC) to determine the just and reasonable caps on the imposition of systems loss.

EPIRA introduced sweeping reforms which were intended to promote competition among power players and bring down electricity prices, all for the benefit of the consumers. However, electricity prices in the Philippines keep rising.

We now have one of the highest electricity bills in Asia and among the most expensive in the world. Instead of protecting the consumers against continuous increase of electricity prices, the EPIRA is being abused by the key players in the power industry using systems loss as their primary excuse.

As legislators, it is our constitutional mandate to serve and protect our people. Let us manifest our commitment by putting an end to the abuses in the power industry. Through this proposed bill, consumers will be freed from the weight of excessive and unjust charges.

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

A handwritten signature in black ink, appearing to read 'DAPIDRAN', with a large, stylized flourish above it.

EMMANUEL DAPIDRAN PACQUIAO




SENATE

S.B. NO. 1058

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AN ACT REMOVING THE ALLOWABLE SYSTEMS LOSS FROM PRIVATE UTILITY COMPANIES AND REDUCING THE CAP OF 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 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:

1 **Section 1. Title of the Act** – This Act shall be known as the “*Allowable*
2 *System Loss Act of 2016*”.

3
4 **Section 2. Declaration of Policy** – It shall be the policy of the State to
5 protect the rights of every electric consumer without compromising the
6 State’s assistance to the viability of every electric distributors’ operations.
7 Electricity is an indispensable commodity in the economic growth. The
8 supply and demand of the populace must be harmoniously reconciled and
9 considered to attain justifiable and equitable imposition of the electric
10 distribution expenses to the consuming public.

11
12 **Section 3. Allowable System Loss that may be passed-on to the**
13 **Consumers.** – Only rural electric cooperatives are hereby allowed to pass-
14 on systems losses to their consumers and only to the extent that these
15 system losses result from design fault and technical loss as defined by the
16 Energy Regulatory Commission (ERC), which in no case shall be more than
17 five percent (5%). A systems loss charge shall be determined annually
18 based on the previous year’s costs and revenues of the distribution
19 utilities which shall be verified by the ERC to ensure that only legitimate
20 costs are borne by consumers.

21
22 For purposes of this Act, systems loss shall mean the difference between
23 (kilowatt-hour) kWh purchased and/or generated and kWh sold by a rural
24 electric cooperative expressed as a percentage of kWh purchased and/or

1 generated excluding costs due to pilferage, administration inefficiencies
2 and administrative cost.

3
4 **Section 4. Exemption from Value-Added Tax (VAT).** - The imposition of
5 system loss in the consumers' bills, although forming part of a rural
6 cooperative's operating expenses, shall not be made subject to any value-
7 added tax (VAT) as provided in Section 108 of Republic Act No. 9337 or
8 any amendments thereto.

9
10 **Section 5. Implementing Rules and Regulations.** - The Department of
11 Energy, in consultation with TRANSCO and the ERC, shall promulgate the
12 Implementing Rules and Regulations that shall be necessary to carry out
13 and implement the provisions of this Act within sixty days (60) from the
14 effectivity of this Act.

15
16 **Section 6. Repealing Clause.** - All laws, acts, decrees, executive orders,
17 issuances, and rules and regulations or parts thereof which are contrary to
18 and inconsistent with any provisions of this Act are hereby repealed,
19 amended, or modified accordingly.

20
21 **Section 7. Separability Clause.** - If any provision of this Act is
22 subsequently declared unconstitutional, the validity of the remaining
23 provisions hereof shall remain in full force and effect.

24
25 **Section 8. Effectivity.** - This Act shall take effect fifteen days (15) after its
26 complete publication in at least two (2) newspapers of general circulation
27 in the Philippines.

28
29 Approved,
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