



SEVENTEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
FIRST REGULAR SESSION )

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RECEIVED BY: [Signature]

SENATE

SENATE BILL NO. 1388

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INTRODUCED BY SENATOR JOSEPH VICTOR G. EJERCITO

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AN ACT

REDUCING THE ALLOWABLE SYSTEMS LOSS FROM PRIVATE UTILITY COMPANIES AND RURAL ELECTRIC COOPERATIVES 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

EXPLANATORY NOTE

The Electric Power Industry Reform Act (EPIRA) was enacted to achieve reliable and affordable electricity for the Philippines.

Almost two decades after the EPIRA's enactment, we still have one of the highest electricity price in the Asia-Pacific Region. As published in the 27<sup>th</sup> Status Report on EPIRA Implementation dated October 2015, the average electricity rates amount to Php8.04/kWh. The bulk of the cost of electricity in the Electric Companies unbundled average effective residential rates comes from Generation. Notable however is the share of the system loss to the total electricity rates which amounts to more than 8%.

Distribution companies should use new technology and reforms to increase their efficiency and lessen the technical losses from their natural operations. They should find ways to enhance their pilferage management so that there would be no technical losses that can be passed on to ~~their~~ consumers. To compel them to implement network efficiency, it is hereby ~~propose~~ that the recoverable system loss cap should be reduced to 5% for private ~~ele~~ctric utilities

and 7% for rural electric cooperatives. This reform will result to lower electricity rates.

It is high time to reduce the allowable recoverable system loss to unburden the consumers and industries that heavily rely on electricity. As such, the passage of this bill is earnestly sought.

A handwritten signature in black ink, appearing to read 'JOE EJERCITO', with a horizontal line extending to the left of the first letter.

**JOSEPH VICTOR G. EJERCITO**



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*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 "Recoverable  
2 System Loss Act".  
3

4 SEC. 2. *Declaration of Policy* - It is hereby declared the policy of the State to  
5 ensure the quality and affordability of the supply of electric power in the  
6 country. In accordance with this, the State shall ensure that rates charged by  
7 electric companies to consumers reflect the true cost of electricity.  
8

9 SEC. 3. *Recoverable System Loss*. There is hereby established a cap on the  
10 recoverable rate of system losses as follows:

- 11 (a) Five percent (5%) for private electric utilities; and
- 12 (b) Seven (7%) for rural electric cooperatives:  
13

14 Provided, that non-technical losses, actual use of electricity by DUs or ECs and  
15 other components which may be determined by the Energy Regulatory  
16 Commission (ERC) shall be excluded from the computation of recoverable  
17 system loss charges. Provided further that the caps herein provided shall apply  
18 to the area of coverage of private electric utilities and rural electric cooperatives

1 as of the date of the effectivity of this Act and in areas of coverage that may be  
2 added on after the enactment of this Act.

3  
4 For purposes of this Act, systems loss shall refer to the difference between the  
5 amount of electricity purchased by distribution utility and the amount of  
6 electricity paid for by the users. Non-technical losses refer to electricity lost  
7 through causes external to the power system such as pilferage, theft,  
8 administrative inefficiencies and costs and other analogous causes.

9  
10 SEC. 4. *Implementing Rules and Regulations.* - The Department of Energy and in  
11 consultation with the ERC, shall promulgate the Implementing Rules and  
12 Regulations that shall be necessary to carry out and implement the provisions  
13 of this Act within sixty days (60) from the effectivity of this Act.

14  
15 SEC. 5. *Separability Clause.* - If any provision of this Act is held invalid or  
16 unconstitutional, other provisions not affected thereby shall continue to be in  
17 full force and effect.

18  
19 SEC. 6. *Repealing Clause.* - All laws, decrees, executive orders or parts thereof  
20 inconsistent with the provisions of this Act are hereby repealed, amended or  
21 modified accordingly.

22  
23 SEC. 7. *Effectivity Clause.* - This Act shall take effect fifteen (15) days after its  
24 complete publication in the *Official Gazette* or in a national newspaper of general  
25 circulation.

26  
27 Approved,