

EIGHTEENTH CONGRESS)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)



HOUSE OF REPRESENTATIVES

Introduced by Representative Rufus B. Rodriguez

House Bill No. **2782**

EXPLANATORY NOTE

Various think tanks and International Agencies have reported that the electricity rates are among the highest in the world and at some point, were the most expensive in Asia.

Despite this, consumers are even made to pay additional charges including the so-called system losses which are further subjected to Value Added Tax.

System loss refers to unbilled power caused by pilferage and physical loss of energy when electricity passes through distribution lines.

Republic Act 7832 or the law penalizing electricity theft allows power utilities to recover a portion of their system losses from consumers. Since the law's enactment last 1994, it would seem that these electric utility firms have stood pat and did not do anything to address pilferages because they have been assured of collecting so-called system losses from their consumers.

Further, by allowing these electric utilities to force their clients to shoulder so-called system losses, clients are being made to pay for services that they have not received. Clients are also being made to suffer the consequences of the inefficiency and the short comings of the electric utility firms.

Instead of passing the cost of lost electricity to end-users, utilities should improve their systems to minimize losses and ensure that transmission grid designs do not result in electricity loss.

In view of the foregoing, immediate passage of this measure is earnestly requested.


RUFUS B. RODRIGUEZ

HOUSE OF REPRESENTATIVES

Introduced by Representative Rufus B. Rodriguez

House Bill No. **2782**

AN ACT

PROHIBITING PRIVATE ELECTRIC UTILITIES FROM COLLECTING SYSTEM LOSSES FROM THE CONSUMERS AND REDUCING THE CAP OF RECOVERABLE SYSTEM LOSSES OF RURAL ELECTRIC COOPERATIVES TO A MAXIMUM OF FIVE PERCENT (5%), AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 7832, AS AMENDED AND FOR OTHER PURPOSES

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

Section 1. Private Electric Utilities are hereby prohibited from charging or passing-on their system losses to their consumers.

Section 2. Rural electric cooperatives are hereby allowed to pass-on to the consumers systems losses 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 systems 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 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 expressed as a percentage of kWh purchased and/or generated excluding costs due to pilferage, administration inefficiencies and administrative cost.

Section 4. Exemption from Value-Added Tax (VAT) – The imposition of system loss in the consumer's bill, although forming part of a rural cooperatives 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.

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

Section 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.

Section 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,