



PHILRECA

PHILIPPINE RURAL ELECTRIC COOPERATIVES ASSOCIATION, INC.

— The Philippines' Electric Cooperatives —

17 October 2023
COMMS-2023-218

HON. LORD ALLAN JAY Q. VELASCO

Chairman, Committee on Energy

House of Representatives

Batasan Hills, Quezon City

Dear *Hon Velasco*:

Greetings of Peace and Solidarity from PHILRECA!

We are respectfully forwarding herewith our organization's **COMMENTS AND SUGGESTIONS** on the following House measures as requested:

- ☐ HB No. 8662, introduced by Hon. Margarita Ignacia Nograles entitled: **"AN ACT MANDATING GOVERNMENT OFFICES AND/OR ESTABLISHMENT TO ALLOT AT LEAST 50 PERCENT 50% OF THEIR ENERGY REQUIREMENTS TO SOLAR ENERGY, COROLLARY, MANDATING THE SAME TO INSTALL SOLAR PANELS UNTO THEIR BUILDINGS"**;
- ☐ HR No. 1138, introduced by Hon. Sergio Dagooc and Presley de Jesus, entitled: **"A RESOLUTION DIRECTING THE ENERGY REGULATORY COMMISSION TO ISSUE AN AMENDED FORMAT OF ELECTRICITY BILLS TO EXCLUDE SUBSIDIES FROM THE COMPUTATION OF VALUE-ADDED TAX ON GROSS RECEIPTS IN THE SALE OF ELECTRICITY"**; and
- ☐ HR No. 1139, introduced by Hon. Sergio Dagooc and Presley de Jesus entitled: **"A RESOLUTION DIRECTING THE ENERGY REGULATORY COMMISSION TO DISALLOW THE NATIONAL GRID CORPORATION OF THE PHILIPPINES FROM COLLECTING ITS FRANCHISE TAX AS A PASSED-ON CHARGE AND INITIATE THE REFUND PROCESS FOR THE OVERCHARGED AMOUNTS TO ITS CONSUMERS"**.

Thank you and we look forward to your positive accommodation of these comments.

Respectfully yours,


JANEENE DIPAY-COLINGAN
Executive Director/General Manager


JOSELITO R. YAP
President

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House Bill No. **8662**

AN ACT MANDATING GOVERNMENT OFFICES AND/OR ESTABLISHMENT TO ALLOT AT LEAST FIFTY PERCENT 50% OF THEIR ENERGY REQUIREMENTS TO SOLAR ENERGY, COROLLARY, MANDATING THE SAME TO INSTALL SOLAR PANELS UNTO THEIR BUILDINGS

ORIGINAL PROVISION	COMMENTS/SUGGESTIONS/ RECOMMENDATIONS	PROPOSED WORDINGS
GENERAL COMMENT	<p>□ On April 3, 2023, the Committee on Energy disseminated a copy of the final substitute bill of House Bills No. 1888. 2565, 6972 and 7625 regarding the use of Renewable Energy (RE) Systems in all government-owned facilities to the stakeholders. Consequently, it might be prudent to consider consolidating this bill.</p>	
Section 1. Short Title. This Act shall be known as the Solar Energy Act of 2024.		
Section 2. Definition of Terms. The following terms shall have the following definitions, as used in this Act, to wit: Solar Energy - The energy the Earth receives from the sun, primarily as visible light and other forms of electromagnetic radiation. Solar Panel - A panel designed to absorb the		

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sun's rays as a source of energy for generating electricity or heating.		
Section 3. Coverage. This Act shall cover all government departments and their attached agencies and offices including government-owned and controlled corporations and local government units in the Philippines.		
Section 4. Solar Energy for Electricity and/or Thermal Energy Requirements. Government offices and government-owned establishments shall utilize solar energy for at least fifty percent (50%) of their electricity and/or thermal energy requirements/consumptions in their day-to-day operations.	<ul style="list-style-type: none">□ Instead of immediately transitioning all government offices to 50% percent solar energy usage within six (6) months, a phased approach could be adopted. This means setting targets over several years based on factors such as building size or electricity consumption levels.□ Start with a Pilot Project to test its feasibility before scaling up. This can be done by initiating pilot projects in selected government offices. This approach would provide valuable insights into challenges, costs, and benefits and allow for adjustments to be	

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	<p>made for smoother implementation in subsequent phases.</p> <p>□ Additionally, it's crucial to recognize that some areas within the geographical boundaries of the government facility may lack adequate renewable energy resources.</p>	
<p>Section 5. Installation of Solar Panels. The government departments, offices, and establishments covered by this Act shall install solar panels on their buildings for the efficient conversion of solar energy into the electricity that they need.</p>	<p>□ Government agencies shall be required to retrofit their facilities to facilitate the installation of solar panels.</p> <p>□ The installation of RE systems shall be performed by the Philippine Contractors Accreditation Board (PCAB) licensed installers in strict adherence to Republic Act No. 9184 or the "Government Procurement Reform Act" and its implementing rules and regulations and any subsequent amendments thereto.</p> <p>□ Through the provisions of this law, government establishments shall adopt</p>	

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	a type of solar panel that fits the standards imposed by the government.	
Section 6. Period to Install Solar Panels. The offices and establishments covered by this Act must, within six (6) months from the effectivity of this Act, comply with the requirements set forth hereto.	<p>□ Is six (6) months enough to achieve 50 percent considering that every government department, agencies, and bureaus varies in sizes and operations? Should the proposed bill use the same standard? Also, according to the Republic Act No. 11285 Chapter VI, Section 19 states the “designated establishments.”</p> <p>a. Type 1- are designated establishments with an annual energy consumption of 500,000 kilowatt-hours to 4,000,000,000 kWh for the previous year,</p> <p>b. Type 2- are designated establishments with an annual energy consumption of more than 4,000,000,kWhfor the previous year</p>	

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	<p>Should this be the basis for classifying government establishments?</p> <ul style="list-style-type: none">□ The cost associated with installing solar panels can be substantial depending on the size and requirements of each government office building. Allocating sufficient funds within a short time frame might pose financial constraints for certain agencies or departments.□ Transitioning to solar energy requires technical expertise in areas such as site assessment, system design, installation, operation, and maintenance of solar panels. Ensuring that all government offices have access to qualified professionals capable of handling these tasks within six months could pose a challenge.	
Section 7. Implementing Rules and Regulations. The Department of Energy in coordination with the Department of Interior and Local Government shall promulgate the	<ul style="list-style-type: none">□ Include the clear-cut guidelines for achieving 50 percent of day-to-day operations utilizing solar energy of all government departments and their	Section 7. Implementing Rules and Regulations. The Department of Energy (DOE), National Renewable Energy Board (NREB), Energy Regulatory Commission (ERC), Department

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implementing Rules and Regulations to carry out the provisions of this Act. Such rules and regulations shall take effect upon their publication in three (3) newspapers of general circulation.	<p>attached agencies and offices including government-owned and controlled corporations and local government units in the Philippines within 6 months from the effectiveness of the proposed bill.</p> <ul style="list-style-type: none">□ Add an additional provision pertaining to waste management of solar panels.□ Include government departments, agencies, bureaus, offices, and GOCCs who have already started to utilize an alternative energy option and what measures should be used to it.□ Proposes to include in the IRR the Chapter VI, Section 19 (a)(b) of the Republic Act No. 11285-Designated Establishments.□ Include automatic deduction of Stranded Cost, this will allow the distribution utilities to automatically deduct the load requirement of the	<p>of Public Works and Highways (DPWH), Department of Interior and Local Government (DILG), and in consultation with the concerned stakeholders, shall promulgate the Implementing Rules and Regulations to carry out the provisions of this act. Such rules and regulations shall take effect upon their publication in three (3) newspapers of general circulation.</p>

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	previously serviced consumer from the fixed load contracted in its power supply contracts will lower the electricity bill of the end-user. This aims to remove the stranded contract cost and lower the generation charge component in the electricity bill.	
	<input type="checkbox"/> Proposes to add a provision for funding as it is deemed necessary in the continuity of its implementation.	Section #. Funding. Such amounts necessary to carry out the provisions of this Act shall be included in the Annual General Appropriations Act of DOE.
Section 8. Repealing Clause. - All laws, presidential decrees, letters of instructions, executive orders, rules and regulations insofar as they are inconsistent with this Act, are hereby repealed or amended as the case may be.		
Section 9. Separability Clause. -In the event that any provision of this Act or any portion thereof is declared unconstitutional by a competent court, the other provisions shall not be affected thereby and shall remain valid and enforceable.		
Section 10. Effectivity clause. -This Act shall		

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take effect after its complete publication in at least three (3) newspapers of general circulation.		

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ON HOUSE RESOLUTION NO. 1138,
DIRECTING THE ENERGY REGULATORY COMMISSION TO ISSUE AN
AMENDED FORMAT OF ELECTRICITY BILLS TO EXCLUDE SUBSIDIES FROM
THE COMPUTATION OF VALUE-ADDED TAX ON GROSS RECEIPTS IN THE
SALE OF ELECTRICITY

The Association strongly supports House Resolution No. 1138 *“A Resolution Directing the Energy Regulatory Commission to Issue an Amended Format of Electricity Bills to Exclude Subsidies from the Computation of Value-Added Tax on Gross Receipts in the Sale of Electricity.”* The provided House measure not only aims to review the charges and format of electric billing, but it also aids in addressing several relevant energy issues and concerns.

Based on studies, the Philippines has been one of the ASEAN countries with the highest electricity rates with about 25% to 87.5% higher rates. Data also shows that the country's electricity prices averages at Php 9.86/kWh as compared to its ASEAN neighboring countries such as Vietnam with Php 4.42/kWh and Indonesia with Php 5.33/kWh.

Why is this so? One of the biggest factors that contributes to high electricity rates in the country is the huge generation charge that takes over 60% of the total cost of the electricity bill being paid by a member-consumer-owner (MCO). This is mainly due to the increased fuel cost together with the lack of coal sources and supply, causing the skyrocketing of coal prices. Another important factor contributing to the high electricity rates in the country is the multiple taxes being levied on the sale of electricity which are then being passed on to the MCOs. These pass-through charges include generation, transmission, and distribution which impose tax in each sector in the electric power industry, allowing MCOs to carry heavy financial burdens due to multiple taxation.

What's more staggering is that subsidies such as Lifeline Rate and Senior Citizen subsidy are being included in the computation of the Value-Added-Tax (VAT) despite not falling under transactions where there is sale or exchange of goods or services as provided in Section 108 of the National Internal Revenue Code of 1997. The cost of subsidizing the beneficiaries of the lifeline rate and senior citizen subsidy are being shouldered by the rest of the MCOs. While the Association supports these endeavors, it poses the question of *“is there really a need to tax the very MCOs who are paying and shouldering these subsidies?”* It can be considered as no longer socially ethical to impose taxes upon taxes especially on acts of service of Filipinos on behalf of their fellow countrymen.

In the aspect of systems loss and universal charge, these, similar to the Lifeline Rate and Senior Citizen subsidy, do not fall under transactions where there is sale or exchange of goods or services and therefore should not be included in the computation of VAT.

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Adding up all these, it would seem that MCOs are paying taxes not once, not twice, but multiple times for using electricity on a daily basis. By exempting these subsidies along with other pass through charges from the computation of VAT, the additional load to the already heavy burden being shouldered by MCOs could be eased and contribute in making electricity more affordable for Filipinos.

With this, PHILRECA fully supports this house measure directing ERC to formulate and issue an amended uniform format of electricity bills based on the Single Billing Scheme that excludes subsidies from the computation of Value-Added Tax on gross receipts in the sale of electricity. The Association looks forward to the possible review of subsidies and other charges included in computation of VAT which are then being shouldered by MCOs.

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ON HOUSE RESOLUTION NO 1139,
DIRECTING THE ENERGY REGULATORY COMMISSION TO DISALLOW THE
NATIONAL GRID CORPORATION OF THE PHILIPPINES (NGCP) FROM
COLLECTING THE FRANCHISE TAX AS A PASSED ON CHARGE AND
INITIATE THE REFUND PROCESS FOR THE OVERCHARGED AMOUNTS TO
ITS CONSUMERS

PHILRECA provides no further comments on the House Resolution No. 1139. We fully support the urgency of disallowing the National Grid Corporation of the Philippines (NGCP) from collecting the franchise as a pass-through charge and to initiate the refund process for the overcharged amount to end-users.

The passage of the ERC Resolution No. 7, Series of 2011 which allowed NGCP to pass through its franchise tax to member-consumers-owners (MCOs) raises several questions. Why was NGCP given such special consideration in passing its 3% franchise tax to MCOs? Imposition of taxation should be uniform and equal. The Corporation was able to amass billions of dividends over the years while MCOs have been shouldering more than a billion of NGCP's franchise tax. The implementation of the ERC resolution became a catalyst and gate for NGCP to unjustly pass on franchise tax to MCOs.

Passing the burden to MCOs is not only unlawful but it is also inhumane especially during this time of increasing rates of electricity. While the whole energy industry and the national government are collectively working on addressing energy concerns and lowering electricity rates, it is saddening to come across this kind of issue.

While Electric Cooperatives (ECs) first and foremost, put their mandate in providing electricity in rural areas at the forefront, the ECs together with PHILRECA also put great importance to the interests and welfare of the MCOs and that includes ensuring transparent billing and protection from unjust charges. That is why the Association welcomes the decision of the ERC for suspending its previously issued ERC Resolution No. 07, Series of 2011. It is a good start in addressing the issue at hand. However, it would seem that the MCOs will always be at the losing end; because even if NGCP will be ordered to refund the passed on charges, the MCOs have still paid the 12% VAT of the franchise tax for more than a decade already.

With the decision of the ERC to put a stop on NGCP from passing its 3% franchise tax to MCOs, PHILRECA respectfully recommends for the ERC to issue a resolution clearly setting and defining the timeline and mechanism for NGCP to refund the passed on charges from 2011 to 2021 to MCOs.

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