




'11 MAY 26 P 3:18

SENATE

S.B. No. 2846

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Introduced by Senator Sergio Osmeña III

EXPLANATORY NOTE

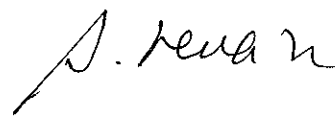
Electric power is a critical component of economic opportunity and growth, and hence political stability. Republic Act No. 9136, also known as the *Electric Power Industry Reform Act of 2001 (EPIRA)*, declared the policy objectives of the government in restructuring and reforming the electric power industry, which include, among other things, ensuring the quality, reliability, security, and affordability of the supply of electric power and protecting the public interest as it is affected by the rates and services of electric utilities and other providers of electric power.

Today's high energy prices have resulted in repercussions that are evident throughout the economy. Yet nowhere do high prices bring consequences as swiftly and harshly as in low-income households. For the millions of low-income families throughout the country, the dramatically higher prices will intensify the impossibility of meeting the costs of basic human needs, while increasing the energy burdens that are already far beyond a tolerable level. At the same time, the energy crisis threatens low-income access to vital energy and utility services, thereby endangering health and safety while creating additional barriers to meaningful low-income participation in the economy. In addition to increased difficulty in paying energy and utility costs, sustained high energy prices could have an impact on the employment rate of low-wage workers. High energy prices cause businesses to cut costs by laying off workers. As we all know, those workers on the margin are usually the first to go, and if current prices persist, we will likely see a sharp increase in unemployment among low-wage workers.

Section 73 of EPIRA provides for a lifeline rate, which is defined as the subsidized rate to low-income captive market end-users who cannot afford to pay at full cost. This socialized pricing mechanism to be set by the Energy Regulatory Commission (ERC) exempts marginalized end-users from the cross-subsidy removal provided for under Section 74 of the EPIRA for a period of ten (10) years, unless extended by law. It ensures that these low-income electricity consumers will not bear higher power rates brought about by the removal of cross-subsidies on electricity tariffs. Residential customers consuming more than the lifeline threshold as well as commercial and industrial users subsidize the lifeline consumers.

As the implementation of the lifeline rate will end on June 26, 2011, unless the ten (10) year period is extended by law, there is a need to pass an amendatory law extending the implementation of the lifeline rate to continue to provide reduced electricity costs and lessen the impact of increases in electricity rates to the poorest of the poor, brought about by spiraling prices of oil and other inputs to production.

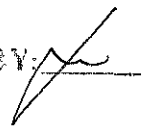
In view of the foregoing, the immediate approval of this bill is earnestly sought.

A handwritten signature in black ink, appearing to read "S. Osmeña III". The signature is written in a cursive style with a prominent initial "S".

SERGIO OSMEÑA III
Senator

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

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AN ACT
EXTENDING THE IMPLEMENTATION OF THE LIFELINE RATE, AMENDING
FOR THE PURPOSE SECTION 73 OF THE REPUBLIC ACT NUMBERED
NINETY ONE THIRTY SIX, OTHERWISE KNOWN AS THE "ELECTRIC POWER
INDUSTRY REFORM ACT OF 2001"

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

1 **SECTION 1.** Section 73 of Republic Act 9136, otherwise known as
2 the "Electric Power Industry Reform Act of 2001" is hereby amended to read as
3 follows:

4 Sec. 73. Lifeline Rate. – A socialized
5 pricing mechanism called a lifeline rate for the
6 marginalized end-users shall be set by the ERC, which
7 shall be exempted from the cross subsidy phase-out
8 under this Act for a period of [ten (10)] TWENTY (20)
9 years, unless OTHERWISE extended by law. The level
10 of consumption and the rate shall be determined by the
11 ERC after due notice and hearing. AS USED IN THIS
12 ACT, "MARGINALIZED END-USERS" SHALL REFER
13 TO END-USERS WHOSE ELECTRICAL LOADS ARE
14 LIMITED ONLY FOR BASIC LIGHTING, COOLING
15 (ELECTRIC FAN), RADIO AND TELEVISION."

1 **SECTION 2. *Separability Clause.*** – If for any reason, any
2 provision of this Act or any part thereof shall be held unconstitutional and
3 invalid, the other parts or provisions of this Act, which are not affected
4 thereby, shall remain in full force and effect.

5 **SECTION 3. *Repealing Clause.*** – All laws, decrees, orders, rules
6 and regulations or parts thereof, inconsistent with any of the provisions of this
7 Act are hereby repealed, amended or modified accordingly.

8 **SECTION 4. *Effectivity Clause.*** - This Act shall take effect fifteen
9 (15) days after its complete publication in at least two (2) newspapers of general
10 circulation.

11 Approved,