

NINETEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
Second Regular Session)



23 JUL 12 P 3:07

SENATE

S. No. 2300

RECEIVED BY: _____

Introduced by Senator Francis G. Escudero

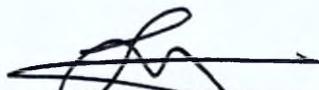
**AN ACT
INSTITUTIONALIZING THE RULES ON SYSTEM LOSS CAP FOR ELECTRIC
DISTRIBUTION UTILITIES**

EXPLANATORY NOTE

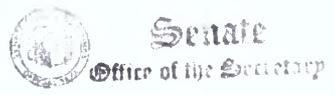
System loss is an inherent feature of our energy system, given that the conversion and transportation of energy resources are not completely efficient. While system losses can come from the physical properties of the energy system components, it can also result from human interventions. As such, while distribution utilities may be allowed to recover the costs of system losses, they should also be encouraged – if not obliged – to mitigate system losses emanating from ill-maintained facilities and electricity pilferage, among others.

Taking cue from House Bill No. 3431 filed by Representatives Dagooc and De Jesus last August 9, 2022, this bill seeks to advance the institutionalization of a reasonable and quantifiable cap on system losses that could be passed on by private distribution utilities and electric cooperatives to consumers. It is submitted that through this intervention, the viability of distribution utilities and electric cooperatives, and the efficient delivery of affordable electricity to households and industries, thus cushioning the impact of the price of electricity, would be sustained.

Respectfully submitted.


FRANCIS G. ESCUDERO 

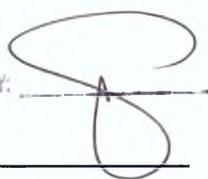
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**AN ACT
INSTITUTIONALIZING THE RULES ON SYSTEM LOSS CAP FOR ELECTRIC
DISTRIBUTION UTILITIES**

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

1 Section 1. *Short Title.* – This Act shall be known as the “*Distribution System*
2 *Loss Act*”.

3 Sec. 2. *Declaration of Policy.* – It shall be the policy of the State to protect the
4 rights of every electric consumer without compromising the State’s obligation to
5 ensure the viability of electric distribution utilities. Towards this end, the State shall
6 ensure that the imposition of electricity distribution charges to electricity end-users is
7 justifiable and equitable, and that no unnecessary cost is recovered by distribution
8 utilities.

9 Sec. 3. *Transmission Losses.* – Transmission losses are hereby disaggregated
10 from the computation of allowable system loss charges. These losses shall not form
11 part of the passed-on costs to electricity end-users.

12 For the purposes of this Act, transmission loss shall refer to the difference in
13 kilowatt-hours (kWh) between the electricity delivered by a generation company to a
14 distribution utility as indicated in the powerplant billing meter installed at the plant
15 gate and the electricity actually received by the substation of an individual distribution
16 utility as indicated in the billing meter installed at the delivery point.

17 Sec. 4. *Distribution System Loss Cap for Private Distribution Utilities.* – Private
18 distribution utilities are hereby allowed to pass on system losses to their consumers

1 only to the extent that these system losses result from design fault, technical loss, and
2 non-technical losses as defined by the Energy Regulatory Commission (ERC), which in
3 no case shall be more than five percent (5%).

4 *Sec. 5. Distribution System Loss Caps for Electric Cooperatives.* – Distribution
5 utilities are hereby allowed to pass on system losses to their consumers only to the
6 extent that these system losses result from design fault, technical loss, and non-
7 technical loss as defined by the Energy Regulatory Commission (ERC), which in no
8 case shall exceed the following:

- 9 (a) For electric cooperatives in Cluster 1 – 12.00%;
- 10 (b) For electric cooperatives in Cluster 2 – 10.25%; and
- 11 (c) For electric cooperatives in Cluster 3 – 8.25%.

12 A system loss charge shall be determined annually based on the previous year's
13 costs and revenues of the distribution utilities, which shall be verified by the ERC to
14 ensure that only legitimate costs are borne by consumers. For the purpose of this Act,
15 system loss shall mean the difference in kWh between the electricity purchased and/or
16 generated and the electricity actually sold by a distribution utility.

17 *Sec. 6. Electric Cooperative Clusters.* – For the purpose of determining the
18 applicable distribution system loss cap as provided in Section 5 of this Act, the electric
19 cooperatives shall be classified as follows:

- 20 (a) Cluster 1 Electric Cooperatives
 - 21 (1) Bantayan Electric Cooperative, Inc. (BANELCO)
 - 22 (2) Basilan Electric Cooperative, Inc. (BASELCO)
 - 23 (3) Batanes Electric Cooperative, Inc. (BATANELCO)
 - 24 (4) Busuanga Island Electric Cooperative, Inc. (BISELCO)
 - 25 (5) Cagayan de Sulu Electric Cooperative, Inc. (CASELCO)
 - 26 (6) Camotes Electric Cooperative, Inc. (CELCO)
 - 27 (7) Dinagat Island Electric Cooperative, Inc. (DIELCO)
 - 28 (8) First Catanduanes Electric Cooperative, Inc. (FICELCO)
 - 29 (9) Ifugao Electric Cooperative, Inc. (IFELCO)
 - 30 (10) Kalinga-Apayao Electric Cooperative, Inc. (KAELCO)
 - 31 (11) Lubang Electric Cooperative, Inc. (LUBELCO)

- 1 (12) Marinduque Electric Cooperative, Inc. (MARELCO)
- 2 (13) Maripipi Multi-Purpose Electric Cooperative (MMPC)
- 3 (14) Masbate Electric Cooperative, Inc. (MASELCO)
- 4 (15) Mountain Province Electric Cooperative, Inc. (MOPRECO)
- 5 (16) Occidental Mindoro Electric Cooperative, Inc. (OMECO)
- 6 (17) Oriental Mindoro Electric Cooperative, Inc. (ORMECO)
- 7 (18) Palawan Electric Cooperative, Inc. (PALECO)
- 8 (19) Province of Siquijor Electric Cooperative, Inc. (PROSIELCO)
- 9 (20) Romblon Electric Cooperative, Inc. (ROMELCO)
- 10 (21) Siargao Electric Cooperative, Inc. (SIARELCO)
- 11 (22) Siasi Electric Cooperative, Inc. (SIASELCO)
- 12 (23) Sulu Electric Cooperative, Inc. (SULECO)
- 13 (24) Tabas Island Electric Cooperative, Inc. (TIELCO)
- 14 (25) Tawi-tawi Electric Cooperative, Inc. (TAWELCO)
- 15 (26) Ticao Island Electric Cooperative, Inc. (TISELCO)
- 16 (b) Cluster 2 Electric Cooperatives
- 17 (1) Abra Electric Cooperative, Inc. (ABRECO)
- 18 (2) Agusan del Norte Electric Cooperative, Inc. (ANECO)
- 19 (3) Agusan del Sur Electric Cooperative, Inc. (ASELCO)
- 20 (4) Aklan Electric Cooperative, Inc. (AKELCO)
- 21 (5) Albay Electric Cooperative, Inc. (ALECO)
- 22 (6) Antique Electric Cooperative, Inc. (ANTECO)
- 23 (7) Aurora Electric Cooperative, Inc. (AURELCO)
- 24 (8) Batangas I Electric Cooperative, Inc. (BATELEC I)
- 25 (9) Benguet Electric Cooperative, Inc. (BENECO)
- 26 (10) Biliran Electric Cooperative, Inc. (BILECO)
- 27 (11) Bohol I Electric Cooperative, Inc. (BOHECO I)
- 28 (12) Bohol II Electric Cooperative, Inc. (BOHECO II)
- 29 (13) Bukidnon II Electric Cooperative, Inc. (BUSECO)
- 30 (14) Cagayan I Electric Cooperative, Inc. (CAGELCO I)
- 31 (15) Cagayan II Electric Cooperative, Inc. (CAGELCO II)
- 32 (16) Camarines Norte Electric Cooperative, Inc. (CANORECO)

- 1 (17) Camarines Sur I Electric Cooperative, Inc. (CASURECO I)
- 2 (18) Camarines Sur II Electric Cooperative, Inc. (CASURECO II)
- 3 (19) Camarines Sur III Electric Cooperative, Inc. (CASURECO III)
- 4 (20) Camarines Sur IV Electric Cooperative, Inc. (CASURECO IV)
- 5 (21) Camiguin Electric Cooperative, Inc. (CAMELCO)
- 6 (22) Capiz Electric Cooperative, Inc. (CAPELCO)
- 7 (23) Cebu I Electric Cooperative, Inc. (CEBECO I)
- 8 (24) Cebu II Electric Cooperative, Inc. (CEBECO II)
- 9 (25) Cebu III Electric Cooperative, Inc. (CEBECO III)
- 10 (26) Central Pangasinan Electric Cooperative, Inc. (CENPELCO)
- 11 (27) Cotabato Electric Cooperative, Inc. (COTELCO)
- 12 (28) Davao del Norte Electric Cooperative, Inc. (DANECO)
- 13 (29) Davao del Sur Electric Cooperative, Inc. (DASURECO)
- 14 (30) Davao Oriental Electric Cooperative, Inc. (DORECO)
- 15 (31) Eastern Samar Electric Cooperative, Inc. (ESAMELCO)
- 16 (32) First Bukidnon Electric Cooperative, Inc. (FIBECO)
- 17 (33) First Laguna Electric Cooperative, Inc. (FLECO)
- 18 (34) Guimaras Electric Cooperative, Inc. (GUIMELCO)
- 19 (35) Ilocos Norte Electric Cooperative, Inc. (INEC)
- 20 (36) Ilocos Sur Electric Cooperative, Inc. (ISECO)
- 21 (37) Iloilo I Electric Cooperative, Inc. (ILECO I)
- 22 (38) Iloilo I Electric Cooperative, Inc. (ILECO II)
- 23 (39) Iloilo III Electric Cooperative, Inc. (ILECO III)
- 24 (40) Isabela I Electric Cooperative, Inc. (ISELCO I)
- 25 (41) Isabela II Electric Cooperative, Inc. (ISELCO II)
- 26 (42) La Union Electric Cooperative, Inc. (LUELCO)
- 27 (43) Lanao del Norte Electric Cooperative, Inc. (LANECO)
- 28 (44) Lanao del Sur Electric Cooperative, Inc. (LASURECO)
- 29 (45) Leyte I Electric Cooperative, Inc. (LEYECO I)
- 30 (46) Leyte III Electric Cooperative, Inc. (LEYECO III)
- 31 (47) Leyte IV Electric Cooperative, Inc. (LEYECO IV)
- 32 (48) Leyte V Electric Cooperative, Inc. (LEYECO V)

- 1 (49) Maguindanao Electric Cooperative, Inc. (MAGELCO)
- 2 (50) Misamis Occidental I Electric Cooperative, Inc. (MOELCI I)
- 3 (51) Misamis Occidental II Electric Cooperative, Inc. (MOELCI II)
- 4 (52) Misamis Oriental II Electric Cooperative, Inc. (MORESCO II)
- 5 (53) Negros Occidental Electric Cooperative, Inc. (NOCECO)
- 6 (54) Negros Oriental I Electric Cooperative, Inc. (NORECO I)
- 7 (55) Negros Oriental II Electric Cooperative, Inc. (NORECO II)
- 8 (56) Northern Negros Electric Cooperative, Inc. (NONECO)
- 9 (57) Northern Samar Electric Cooperative, Inc. (NORSAMELCO)
- 10 (58) Nueva Ecija I Electric Cooperative, Inc. (NEECO I)
- 11 (59) Nueva Ecija II Electric Cooperative, Inc. - Area 1 (NEECO II –
- 12 AREA I)
- 13 (60) Nueva Ecija II Electric Cooperative, Inc. - Area 2 (NEECO II –
- 14 AREA II)
- 15 (61) Nueva Vizcaya Electric Cooperative, Inc. (NUVELCO)
- 16 (62) Pampanga I Electric Cooperative, Inc. (PELCO I)
- 17 (63) Pampanga II Electric Cooperative, Inc. (PELCO II)
- 18 (64) Pampanga III Electric Cooperative, Inc. (PELCO III)
- 19 (65) Pampanga Rural Electric Service Cooperative, Inc. (PRESCO)
- 20 (66) Pangasinan I Electric Cooperative, Inc. (PANELCO I)
- 21 (67) Pangasinan III Electric Cooperative, Inc. (PANELCO III)
- 22 (68) Quezon I Electric Cooperative, Inc. (QUEZELCO I)
- 23 (69) Quezon II Electric Cooperative, Inc. (QUEZELCO II)
- 24 (70) Quirino Electric Cooperative, Inc. (QUIRELCO)
- 25 (71) Samar I Electric Cooperative, Inc. (SAMELCO I)
- 26 (72) Samar II Electric Cooperative, Inc. (SAMELCO II)
- 27 (73) San Jose City Electric Cooperative, Inc. (SAJELCO)
- 28 (74) Sorsogon I Electric Cooperative, Inc. (SORECO I)
- 29 (75) Sorsogon II Electric Cooperative, Inc. (SORECO II)
- 30 (76) Southern Leyte Electric Cooperative, Inc. (SOLECO)
- 31 (77) Sultan Kudarat Electric Cooperative, Inc. (SUKELCO)
- 32 (78) Surigao del Norte Electric Cooperative, Inc. (SURNECO)

- 1 (79) Surigao del Sur I Electric Cooperative, Inc. (SURSECO I)
- 2 (80) Surigao del Sur II Electric Cooperative, Inc. (SURSECO II)
- 3 (81) Tarlac I Electric Cooperative, Inc. (TARELCO I)
- 4 (82) Tarlac II Electric Cooperative, Inc. (TARELCO II)
- 5 (83) Zambales I Electric Cooperative, Inc. (ZAMECO I)
- 6 (84) Zambales II Electric Cooperative, Inc. (ZAMECO II)
- 7 (85) Zamboanga del Norte Electric Cooperative, Inc. (ZANECO)
- 8 (86) Zamboanga del Sur I Electric Cooperative, Inc. (ZAMSURECO I)
- 9 (87) Zamboanga del Sur II Electric Cooperative, Inc. (ZAMSURECO II)
- 10 (c) Cluster 3 Electric Cooperatives
- 11 (1) Batangas II Electric Cooperative, Inc. (BATELEC II)
- 12 (2) Central Negros Electric Cooperative, Inc. (CENECO)
- 13 (3) Leyte II Electric Cooperative, Inc. (LEYECO II)
- 14 (4) Misamis Oriental I Rural Electric Cooperative, Inc. (MORESCO I)
- 15 (5) Peninsula Electric Cooperative, Inc. (PENELCO)
- 16 (6) South Cotabato I Electric Cooperative, Inc. (SOCOTECO I)
- 17 (7) South Cotabato II Electric Cooperative, Inc. (SOCOTECO II)
- 18 (8) Zamboanga City Electric Cooperative, Inc. (ZAMCELCO)

19 The clustering shall be valid for two (2) years following the effectivity of this
20 Act. Subsequently and every year thereafter, the ERC shall review and revise the
21 clustering of electric cooperatives prescribed in this section as deemed necessary.

22 *Sec. 7. Powers and Functions of the Energy Regulatory Commission.* – In
23 addition to its powers and functions under Republic Act No. 9136, otherwise known
24 as the Electric Power Industry Reform Act of 2001, and other relevant laws, the ERC
25 shall perform the following:

- 26 (a) Determine, as often as is necessary, whether the caps shall be reduced
27 further on the basis of load density, sales mix, cost of service, delivery
28 voltage, and other technical considerations, as well as international
29 benchmarks, taking into account the viability of distribution utilities and
30 electric cooperatives and the interest of the consumers;

- 1 (b) Exercise the emergency power, when deemed necessary, to increase the
2 system loss rates caps as prescribed by this Act;
- 3 (c) Review and verify the system loss charges reported by distribution
4 utilities to ensure that only legitimate costs are borne by the consumers.

5 Subsequently and every year thereafter, the ERC shall review the system loss
6 rates prescribed by this Act based on parameters such as load density, sales mix, cost
7 of service, delivery voltage and any other technical considerations, as provided in the
8 EPIRA, necessary for establishing different caps for distribution utilities.

9 *Sec 8. System Loss Reduction Program and Incentives.* – The ERC shall develop
10 an incentive mechanism to reward distribution utilities whose actual system losses are
11 below the prevailing approved caps. The incentive mechanism so adopted may be
12 incorporated by the ERC in the performance incentive scheme under the performance-
13 based regulation for private distribution utilities and in the benchmarking methodology
14 for electric cooperatives. Towards this end, expenses associated with any system loss
15 reduction program duly approved by the ERC shall be considered part of the capital,
16 expenditure plans or programs, and operating costs of distribution utilities.

17 *Sec. 9. Emergency Clause.* – The application of allowable system loss rates
18 provided in this Act may be suspended upon the occurrence of the following: acts of
19 God, riots, war, terrorist act, epidemic, pandemic, civil commotion, natural
20 catastrophes, and other emergency circumstances wherein the distribution utility is
21 unable to accurately determine the energy sold because of damage or loss of
22 consumers billing meters and other facilities used in the determination of the
23 consumers energy consumption, as determined by the ERC.

24 *Sec. 10. Implementing Rules and Regulations.* – Within sixty (90) days from
25 the effectivity of this Act, ERC shall, in consultation with government agencies and
26 other stakeholders concerned, promulgate the rules and regulations to effectively
27 implement the provisions of this Act.

28 *Sec. 11. Separability Clause.* – If any provision or part hereof is declared
29 unconstitutional, the remainder of this Act or any provision not affected thereby shall
30 remain in full force and effect.

1 Sec. 12. *Repealing Clause.* – All laws, acts, decrees, executive orders,
2 issuances, and rules and regulations or parts thereof which are contrary to and
3 inconsistent with this Act are hereby repealed, amended or modified accordingly.

4 Sec. 13. *Effectivity.* – This Act shall take effect immediately following its
5 publication in the *Official Gazette* or in at least two (2) newspapers of general
6 circulation.

Approved,