

[ERC RESOLUTION NO. 17, S. 2008, December 08, 2008]

A RESOLUTION ADOPTING A NEW SYSTEM LOSS CAP FOR DISTRIBUTION UTILITIES

WHEREAS, Republic Act No. 7832, otherwise known as the "*Anti-Pilferage of Electricity and Theft of Electric Transmission Lines/Materials Acts of 1994*" was signed into law on December 8, 1994 and took effect on January 17, 1995.

WHEREAS, Section 10 of the said Act sets the caps of recoverable systems loss as follows:

For Private Utilities (PU):

- 14 ½% at the end of the first (1st) year following the effectivity of the Act;
- 13 ¼% at the end of the second (2nd) year following the effectivity of the Act;
- 11 ¾ % at the end of the third (3rd) year following the effectivity of the Act; and
- 9 1/2% at the end of the fourth (4th) year following the effectivity of the Act.

For Electric Cooperatives (EC):

- 22% at the end of the first (1st) year following the effectivity of the Act;
- 20% at the end of the second (2nd) year following the effectivity of the Act;
- 18% at the end of the third (3rd) year following the effectivity of the Act;
- 16% at the end of the fourth (4th) year following the effectivity of the Act; and
- 14% at the end of the fifth (5th) year following the effectivity of the Act.

WHEREAS, the same Act authorized the then Energy Regulatory Board (ERB) to determine at the end of the fourth (4th) year for PUs and fifth (5th) year for ECs whether the above caps shall be reduced further, but in no case be lower than 9%.

WHEREAS, the Implementing Rules and Regulations (IRR) of RA 7832 required PUs, before the end of the fourth (4th) year, and ECs, before the end of the fifth (5th), year to file with the then ERB an application for further system loss cap reduction. However, no such application was filed. The said IRR also allowed an additional