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MAP Recommendations in Reducing Electricity Costs

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The Management Association of the Philippines (MAP) recognizes that a reliable, competitive and affordable power sector is essential to economic growth and improving the welfare of Filipino households and businesses. The MAP fully supports the President's objective of reducing electricity costs and, in light of the ongoing policy discussions on System Loss charges, offers the following recommendations:

1. Support sustainable reductions in electricity costs

The MAP strongly supports initiatives that will sustainably reduce electricity costs for consumers, particularly by addressing major billing components, such as Generation costs and System Loss. High electricity tariffs continue to undermine Philippine competitiveness, discourage investments and increase the financial burden on households. Reforms should focus on eliminating avoidable costs while preserving service reliability and encouraging efficient investment across the electricity value chain.

2. Base reforms on sound technical and economic principles

The MAP urges the Department of Energy (DOE) and the Energy Regulatory Commission (ERC) to ensure that any adjustments to System Loss caps are guided by rigorous technical analysis, empirical evidence and international best practices. Technical losses are an inherent characteristic of power transmission and distribution, while non-technical losses arise from power theft, metering inaccuracies and operational deficiencies. Regulation should distinguish between unavoidable technical losses and preventable inefficiencies, allowing recovery only of prudent and efficiently incurred costs.

Ultimately, the policy question is not simply how System Loss should be regulated, but who should bear the cost of avoidable losses.

3. Balance affordability with reliability and accountability

Consumers should not shoulder costs arising from operational inefficiencies, weak governance or preventable non-technical losses. These risks should primarily rest with the entities responsible for managing them, thereby creating stronger incentives for operational excellence and continuous loss reduction.

At the same time, regulatory policy must continue to encourage prudent investment in grid modernization, network upgrades, digitalization and advanced metering technologies that improve efficiency and reduce losses over time. A stable and predictable regulatory framework is essential to sustaining these investments while maintaining safe and reliable electricity service.

4. Strengthen performance-based regulation

The MAP supports performance-based regulation that establishes clear and progressively improving loss-reduction targets for Distribution Utilities (DUs) and Electric Cooperatives (ECs), taking into account regulator-approved capital and operating expenditures. Transparent reporting, independent performance audits, and appropriate incentives and penalties should ensure that efficiency improvements are translated into lower electricity costs for consumers.

5. Intensify efforts to reduce non-technical losses

Addressing non-technical losses requires coordinated action by regulators, law enforcement agencies, local government units and electricity distributors.

The MAP supports stronger enforcement against electricity pilferage and other illegal activities that unfairly shift costs to law-abiding consumers. At the same time, DUs and ECs should strengthen internal controls, improve meter accuracy, reduce administrative losses, and adopt technologies that improve network visibility and loss detection. Utilities with persistently high losses should be subject to enhanced regulatory oversight and appropriate governance or operational reforms to protect consumers and improve service performance.

6. Fully enforce the Energy Efficiency and Conservation Act (RA 11285)

The MAP urges the DOE to strengthen and fully enforce the provisions of the Energy Efficiency and Conservation Act (RA 11285), including the timely implementation of its compliance and enforcement mechanisms for designated establishments in the commercial, industrial, and transport sectors. Improving energy efficiency is one of the most cost-effective ways to moderate the long-term growth of electricity tariffs. By reducing electricity demand and improving end-use efficiency, the country can reduce technical losses throughout the power system. The MAP therefore encourages the DOE to fully utilize the enforcement mechanisms provided under RA 11285 to accelerate compliance and maximize the law's intended economic and energy security benefits.

The MAP stands ready to work with Congress, the DOE, the ERC, industry participants, and other stakeholders in pursuing reforms that will reduce electricity costs while preserving the long-term reliability, resilience, transparency and financial sustainability of the Philippine power sector.