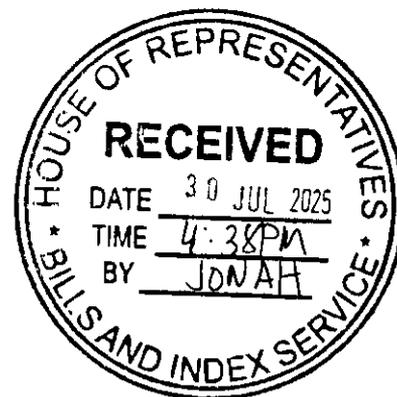


Republic of the Philippines  
HOUSE OF REPRESENTATIVES  
Quezon City

TWENTIETH CONGRESS  
First Regular Session

House Bill No. **2700**



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**Introduced by the Hon. Ferdinand Alexander A. Marcos**  
1<sup>st</sup> District, Ilocos Norte

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**EXPLANATORY NOTE**

Electricity is a basic necessity of modern life. This bill seeks to institutionalize a Direct Government Subsidy for low-consumption households, granting them free electricity within a reasonable monthly threshold and, eventually, phasing out the current system of cross-subsidization.

The current system of subsidized electricity rates in the Philippines is unquestionably noble in intent. Presently, electricity subsidies are delivered through the lifeline rate (for indigent consumers) and the senior citizen discount. Both are implemented as cross-subsidies, which, under this scheme, other consumers shoulder the cost.

A December 2024 study by the Philippine Institute for Development Studies (PIDS), led by research fellow Dr. Kris A. Francisco, found compelling findings on the inefficiencies of the current system. Lifeline discounts vary per distribution utility (DU) due to differing financial capacities and customer characteristics. The DU-level cross-subsidies lead to situations wherein, in low-income areas, poor households subsidize other poor households. Further, cross-subsidized electricity is still subjected to a 12% Value-Added Tax (VAT), effectively taxing both contributors and recipients.

Hence, this bill aims to transition from cross-subsidization to a Direct Government Subsidy with the end in view of addressing the distortions highlighted above by (i) not passing the burden to other consumers, (ii) allowing for transparent validation and exclusion of ineligible households based on the defined threshold, (iii) removing VAT on subsidized amounts, (iv) unifying subsidy implementation, and (v) ensuring that public funds serve everyone. Further, to avoid disruption, a two-year transition period will be instituted wherein the Direct Government Subsidy will co-exist with the existing lifeline and senior citizen discounts. In enacting this measure, Congress affirms that electricity is a necessity which the State to make affordable and accessible.

It is a known fact that, with the exception of the Philippines, ASEAN countries are already providing electricity subsidies in varying degrees. The intent behind these subsidies often includes ensuring affordability for consumers, particularly households, and supporting specific industries or sectors. Prominent among these countries are Indonesia, Vietnam,

Thailand, Singapore and even Myanmar and Lao PDR. Therefore, in order to bring better relief to low-income households than that afforded by the existing lifeline rate under the EPIRA, a direct subsidy scheme needs to be instituted.

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



**FERDINAND ALEXANDER A. MARCOS**

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**AN ACT**

**PROVIDING FOR FREE ELECTRICITY FOR LOW-CONSUMPTION HOUSEHOLDS, ESTABLISHING A DIRECT GOVERNMENT SUBSIDY THEREFOR, AND FOR OTHER PURPOSES**

**SECTION 1.** *Short Title.* This Act shall be known as the "Free Electricity for Low-Consumption Households Act."

**SEC. 2.** *Declaration of Policy.* It is hereby declared the policy of the State to recognize electricity as a basic household necessity essential to the health, safety, and economic productivity of Filipino families. Further, the State shall transition from cross-subsidies to a more equitable and efficiently administered direct government subsidy for households with low electricity consumption.

**SEC. 3.** *Definition of Terms.* For purposes of this Act:

- (a) **Eligible Household** refers to a residential electricity consumer whose average monthly consumption over the preceding three (3) months does not exceed one hundred thirty-five kilowatt-hours (135 kWh), or whose monthly bill does not exceed Two Thousand Pesos (PHP 2,000.00), whichever is lower, as certified by the Energy Regulatory Commission (ERC) and the Department of Energy (DOE) in accordance with this Act and its Implementing Rules and Regulations (IRR).
- (b) **Monthly Consumption Threshold** refers to the maximum allowable electricity consumption or bill amount, as specified in subsection (a), which shall serve as the initial eligibility threshold. This threshold may be revised periodically through the IRR, considering inflation, prevailing electricity rates, and household consumption data, as determined by the PSA, DOE, and ERC.
- (c) **Direct Government Subsidy** refers to the financial assistance provided by the National Government to fully cover electricity charges incurred by Eligible Households within the Monthly Consumption Threshold, distinct from any cross-subsidy mechanisms.
- (d) **Distribution Utility (DU)** refers to any person or entity authorized to operate an electric power distribution system under Republic Act No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001," as amended.

**SEC. 4. *Free Electricity for Eligible Households.*** All Eligible Households, whose consumption does not exceed the Monthly Consumption Threshold, shall be covered by the Direct Government Subsidy; *Provided, That*, if an Eligible Household's monthly electricity consumption or bill exceed the Monthly Consumption Threshold, the household shall fully shoulder the entire bill for that particular billing period without any subsidy; and *Provided*, further, that, such temporary ineligibility shall not, by itself, disqualify the household from availing of the benefits under this Act in subsequent billing periods, subject to continued compliance with the eligibility criteria.

**SEC. 5. *VAT Exemption.*** The electricity consumption of Eligible Households that falls under the Direct Government Subsidy shall be exempt from the twelve percent (12%) value-added tax (VAT). Any corresponding generation, transmission, and distribution charges applicable to the subsidized consumption shall likewise be VAT-exempt.

**SEC. 6. *Mechanism of Subsidy.*** The Direct Government Subsidy shall be implemented through a streamlined payment mechanism from the National Government to the respective Distribution Utilities. The Distribution Utilities shall:

- (a) Accurately identify and validate Eligible Households within their franchise areas based on the criteria established in this Act and its Implementing Rules and Regulations;
- (b) Issue zero-charge electricity bills to validated Eligible Households whose consumption falls within the Monthly Consumption Threshold;
- (c) Submit regular, verified claims to the Department of Energy (DOE) for reimbursement of the subsidized amounts, subject to stringent audit by the Commission on Audit (COA) to prevent leakage and ensure accountability.

**SEC. 7. *Implementing Agencies.*** The Department of Energy (DOE), in coordination with the Energy Regulatory Commission (ERC), the Department of Social Welfare and Development (DSWD), the Department of Budget and Management (DBM) and the Philippine Statistics Authority (PSA) shall jointly oversee the implementation of this Act. Distribution Utilities shall extend full cooperation to the designated implementing agencies.

**SEC. 8. *Implementing Rules and Regulations.*** Within ninety (90) days from the effectivity of this Act, the Department of Energy (DOE), in consultation with the Energy Regulatory Commission (ERC), the Department of Social Welfare and Development (DSWD), the Department of Budget and Management (DBM), and the Philippine Statistics Authority (PSA) shall jointly formulate and promulgate the necessary rules and regulations for the effective implementation of this Act. These rules shall, among others, establish:

- (a) The precise eligibility criteria and validation processes for Eligible Households, based solely on the Monthly Consumption Threshold, ensuring accurate identification and minimizing leakage;
- (b) Detailed procedures for the submission and verification of reimbursement claims by Distribution Utilities;
- (c) Mechanisms to ensure a uniform application of the subsidy across all eligible households nationwide;
- (d) Provisions for the removal of Value-Added Tax (VAT) on the subsidized portion of electricity bills for Eligible Households;

- (e) Guidelines for the efficient integration or phasing out of existing lifeline rate and senior citizen subsidies into this new comprehensive framework to eliminate redundancy; and
- (f) A mandate for the DOE and ERC to conduct a comprehensive study every three (3) years from the effectivity of this Act, or as deemed necessary, to review and propose revisions to the Monthly Consumption Threshold, taking into account prevailing economic conditions, electricity rates, and household consumption patterns. Any revisions shall be promulgated through subsequent Implementing Rules and Regulations.

**SEC. 9. *Funding.*** The funds necessary for the implementation of this Act shall be included in the annual General Appropriations Act and may be supplemented by other sources authorized by law.

**SEC. 10. *Transitory Provisions.*** Upon the effectivity of this Act, the Department of Energy (DOE) and the Energy Regulatory Commission (ERC) shall initiate a comprehensive review of all existing lifeline rate and senior citizen electricity subsidies, including those implemented under Republic Act No. 11552. To prevent duplication of subsidies and enhance targeting accuracy, the Direct Government Subsidy established under this Act shall be implemented alongside the existing Lifeline Rate and other electricity subsidies during a two (2)-year transition period.

Within this period, the DOE and ERC, in coordination with the DSWD and DBM, shall review and recommend to Congress:

- (a) The complete replacement of the Lifeline Rate with the Direct Government Subsidy;
- (b) The coexistence of both programs with separate beneficiary scopes; or
- (c) Any other recommendations derived from their review.

The Implementing Rules and Regulations shall provide a clear roadmap for the seamless transition from existing cross-subsidization mechanisms to the Direct Government Subsidy, ensuring that households currently benefiting from such subsidies are appropriately transitioned to the new framework without undue disadvantage.

**SEC. 11. *Separability Clause.*** Should any provision or portion of this Act be declared invalid or unconstitutional, the remaining provisions or parts not otherwise affected shall remain in full force and effect.

**SEC. 12. *Repealing Clause.*** All laws, decrees, executive orders, rules, and regulations or parts thereof inconsistent with the provisions of this Act, particularly those pertaining to cross-subsidies for electricity consumption, are hereby repealed or modified accordingly.

**SEC. 13. *Effectivity.*** This Act shall take effect fifteen (15) days following its complete publication in the Official Gazette or in a newspaper of general circulation.

***Approved,***