

25 JUL 10 P2:08

**SENATE**  
**S.B. No. 368**

RECEIVED BY: \_\_\_\_\_



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**Introduced by Senator WIN GATCHALIAN**

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**AN ACT AMENDING REPUBLIC ACT NO. 9511, ENTITLED "AN ACT  
GRANTING THE NATIONAL GRID CORPORATION OF THE PHILIPPINES A  
FRANCHISE TO ENGAGE IN THE BUSINESS OF CONVEYING OR  
TRANSMITTING ELECTRICITY THROUGH HIGH VOLTAGE BACK-BONE  
SYSTEM OF INTERCONNECTED TRANSMISSION LINES, SUBSTATIONS AND  
RELATED FACILITIES, AND FOR OTHER PURPOSES"**

EXPLANATORY NOTE

Republic Act No. (RA) 9511, which granted the National Grid Corporation of the Philippines (NGCP) a franchise to engage in the business of conveying or transmitting electricity, provides that it shall operate, manage, and maintain, and in connection therewith, to engage in the business of conveying or transmitting electricity through high voltage back-bone system of interconnected transmission lines, substations and related facilities, system operations, and other activities that are necessary to support the safe and reliable operation of the transmission system and to construct, install, finance, manage, improve, expand, operate, maintain, rehabilitate repair and refurbish the present nationwide transmission system of the Republic of the Philippines.<sup>1</sup>

Seventeen (17) years after the enactment of RA 9511, various concerns have fueled the need to amend NGCP's franchise. First, there is a need to address delays in grid infrastructure development and incentivize the NGCP to improve construction efficiency. By highlighting NGCP's role as a Transmission Network Provider (TNP), the NGCP can focus on operating, managing, and maintaining the physical infrastructure

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<sup>1</sup> Section 1 of RA 9511.

of the nationwide grid. This approach could allow NGCP a more focused and specialized approach on the physical infrastructure of the grid in order to enhance the reliability and development of the transmission network.

Second, there is likewise a need to align NGCP's tax obligations with other electric utilities and potentially increasing government revenue. This is to ensure fairness among power utilities as other franchises do not impose a franchise tax in lieu of corporate income tax and all other national taxes. This change aligns NGCP with the standard corporate tax framework, creating parity in tax treatment across the sector.

Third, there is a need to ensure protection of consumers against potential electricity rate increases due to the passing on of new tax liabilities. The prohibition of corporate income tax pass-through to consumers is already set to zero as per the 2022 Amended Revised Rules for the Setting of Transmission Wheeling Rates issued by the ERC.<sup>2</sup> This amendment aims to legislate this current practice into law.

Fourth, a review of NGCP's franchise is warranted in light of its persistent operational shortcomings and infrastructure delays. In January 2024, Panay Island plunged into a preventable multi-day blackout after NGCP did not act during a two-hour window to call for manual load reductions—despite a similar collapse in April 2023.<sup>3</sup> In November 2024, the Energy Regulatory Commission (ERC) imposed a Php 12.3 million penalty against NGCP for failing to complete twenty-seven (27) capital-expenditure projects on schedule, resulting in unjustified delays in critical grid expansions and upgrades.<sup>4</sup> In January 2025, National Transmission Corporation (TransCo) stated that fifty-eight (58) ongoing NGCP projects – 75 percent of its pipeline – remained incomplete, with individual delays stretching beyond nine years.<sup>5</sup> These systemic deficiencies drive up transmission costs for end-users and highlight the urgent need to undertake a

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<sup>2</sup> Section 5.6.6., 2022 Amended Rules for Setting Transmission Wheeling Rates.

<sup>3</sup> DOE. OPENING STATEMENT OF ENERGY SECRETARY RAPHAEL P.M. LOTILLA DURING THE PRESS CONFERENCE ON THE PROLONGED POWER INTERRUPTION THAT AFFECTED PANAY ISLAND. <https://legacy.doe.gov.ph/press-releases/opening-statement-energy-secretary-raphael-pm-lotilla-during-press-conference>. Accessed 27 June 2025.

<sup>4</sup> GMA. ERC slaps P12.3-M fine vs NGCP over 27 delayed projects. <https://www.gmanetwork.com/news/money/companies/928179/erc-slaps-p12-3-m-fine-vs-ngcp-over-27-delayed-projects/story/>. Accessed 27 June 2025.

<sup>5</sup> PNA. TransCo: NGCP's project delays spur higher power costs. <https://www.pna.gov.ph/articles/1242494>. Accessed 27 June 2025.

thorough review of NGCP's franchise to safeguard the reliability, affordability, and resiliency of the nation's power transmission system.

Finally, there is likewise a need to strengthen government and congressional oversight functions to ensure that Congress is kept up to date on the rollout, development, and operations of the NGCP.

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



**WIN GATCHALIAN**

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**SENATE**  
**S. B. No. 368**

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**Introduced by Senator Sherwin Gatchalian**

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**AN ACT AMENDING REPUBLIC ACT NO. 9511, ENTITLED "AN ACT  
GRANTING THE NATIONAL GRID CORPORATION OF THE PHILIPPINES A  
FRANCHISE TO ENGAGE IN THE BUSINESS OF CONVEYING OR  
TRANSMITTING ELECTRICITY THROUGH HIGH VOLTAGE BACK-BONE  
SYSTEM OF INTERCONNECTED TRANSMISSION LINES, SUBSTATIONS  
AND RELATED FACILITIES, AND FOR OTHER PURPOSES"**

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

**SECTION 1.** Section 1 of Republic Act No. 9511 is hereby amended to read as  
follows:

SECTION 1. *Nature and Scope of Franchise.* — Subject to the provisions of the  
Constitution and applicable laws, rules and regulations, and subject to the  
terms and conditions of the concession agreement and other documents  
executed with the National Transmission Corporation (TransCo) and the Power  
Sector Assets and Liabilities Management Corporation (PSALM) pursuant to  
Section 21 of Republic Act No. 9136, which are not inconsistent herewith, there  
is hereby granted to the National Grid Corporation of the Philippines,  
hereunder referred to as the Grantee, its successors or assigns, a franchise to  
operate, manage and maintain, and in connection therewith, to engage in the

business of conveying or transmitting electricity through high voltage backbone system of interconnected transmission lines, substations and related facilities, ~~[systems operations,]~~ and other activities that are necessary to support the safe and reliable operation of a transmission system and to construct, install, finance, manage, improve, expand, operate, maintain, rehabilitate, repair and refurbish the present nationwide transmission system of the Republic of the Philippines: ***PROVIDED, THAT THE PRIVILEGE TO OPERATE THE TRANSMISSION SYSTEM GRANTED HERewith TO THE GRANTEE SHALL EXCLUDE SYSTEM OPERATION.*** The Grantee shall continue to operate and maintain the subtransmission systems which have not been disposed by TRANSCO. Likewise, the Grantee is authorized to engage in ~~[ancillary business and]~~ any related business which maximizes utilization of its assets such as, but not limited to, telecommunications system, pursuant to Section 20 of Republic Act No. 9136. The scope of the franchise shall be nationwide in accordance with the Transmission Development Plan (**TDP**), subject to amendments or modifications of the said Plan, as may be approved by the Department of Energy (**DOE**) of the Republic of the Philippines; ***PROVIDED, THAT TRANSMISSION ASSETS TO BE CONSTRUCTED AND MAINTAINED BY THE GRANTEE SHALL BE DETERMINED AND SPECIFIED BY THE DOE IN THE TDP; PROVIDED FURTHER, THAT CRITICAL INFRASTRUCTURE PROJECTS IN THE TDP, AS MAY BE DETERMINED BY DOE, MAY BE CONSTRUCTED BY ANOTHER PARTY AND THEN TURNED OVER TO THE GRANTEE FOR MANAGEMENT, IMPROVEMENT, EXPANSION, MAINTENANCE, REHABILITATION, REPAIR, AND REFURBISHMENT. THE GRANTEE SHALL NOT, WHETHER DIRECTLY OR INDIRECTLY, ENGAGE IN SYSTEMS OPERATION OF THE TRANSMISSION GRID. "SYSTEM OPERATION" SHALL BE DEFINED AS THE REAL-TIME CONTROL, MANAGEMENT, AND COORDINATION OF THE ELECTRICAL POWER GRID, INCLUDING BUT NOT LIMITED TO LOAD DISPATCH, GRID***



1        **BALANCING, VOLTAGE CONTROL, FREQUENCY REGULATION, AND**  
2        **ALL ACTIVITIES NECESSARY TO ENSURE THE SAFE, RELIABLE, AND**  
3        **EFFICIENT OPERATION OF THE TRANSMISSION SYSTEM.**

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5        **SECTION 2.** Section 9 of Republic Act No. 9511 is hereby amended to read as  
6        follows:

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8        SECTION 9. *Tax Provisions.* — ~~[In consideration of the franchise and~~  
9        ~~rights hereby granted, the]~~ **THE** Grantee, its successors or assigns, shall  
10       pay ~~[a franchise tax equivalent to three percent (3%) of all gross~~  
11       ~~receipts derived by the Grantee from its operation under this~~  
12       ~~franchise. Said tax shall be in lieu of]~~ income tax and any and all taxes,  
13       duties, fees and charges of any kind, nature or description levied, established  
14       or collected by any authority whatsoever, local or national, on its franchise,  
15       rights, privileges, receipts, revenues and profits, and on properties used in  
16       connection with its franchise~~[, from which taxes, duties and charges, the~~  
17       ~~Grantee is hereby expressly exempted]~~: *Provided*, That the Grantee, its  
18       successors or assigns, shall be liable to pay the same taxes on their real estate,  
19       buildings and personal property, exclusive of this franchise, as other  
20       corporations are now or hereby may be required by law to pay: *Provided*,  
21       *further*, That payment by Grantee of the concession fees due to PSALM under  
22       the concession agreement shall not be subject to income tax and value-added  
23       tax (VAT): **PROVIDED FINALLY, THAT THE GRANTEE SHALL NOT BE**  
24       **ALLOWED TO PASS-ON TAXES TO CONSUMERS.**

25       **SECTION 3.** Section 15 of Republic Act No. 9511 is hereby amended to read as  
26       follows:

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28       SECTION 15. *Reportorial Requirement.* - The Grantee shall submit,  
29       **INCLUDING BUT NOT LIMITED TO**, an annual report of finances and

1 operations to the Congress of the Philippines[~~7~~], **THROUGH THE JOINT**  
2 **CONGRESSIONAL ENERGY COMMISSION (JCEC), ON ITS**  
3 **COMPLIANCE WITH THE TERMS AND CONDITIONS OF THE**  
4 **FRANCHISE AND ON ITS OPERATIONS ON OR BEFORE APRIL 30**  
5 **EVERY YEAR AFTER THE EFFECTIVITY OF THIS ACT, AND SUCH**  
6 **OTHER DOCUMENTS OR INFORMATION AS MAY BE REQUIRED BY**  
7 **THE JCEC.**

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9 **THE ANNUAL REPORT SHALL INCLUDE AN UPDATE ON THE ROLLOUT,**  
10 **DEVELOPMENT, OPERATION AND/OR EXPANSION OF THE**  
11 **BUSINESS; COMPLIANCE WITH THE TDP; AUDITED FINANCIAL**  
12 **STATEMENTS; LATEST GIS OFFICIALLY SUBMITTED TO THE SEC (IF**  
13 **AVAILABLE OR APPLICABLE); AND CERTIFICATION FROM THE ERC**  
14 **ON THE STATUS OF ITS PERMITS AND OPERATIONS.**

15  
16 **IN ADDITION TO THEIR EXISTING POWERS AND FUNCTIONS UNDER**  
17 **REPUBLIC ACT NO. 7638, REPUBLIC ACT NO. 9136, AND OTHER**  
18 **APPLICABLE LAWS, THE DOE AND THE ERC SHALL REGULATE THE**  
19 **COMPLIANCE OF THE GRANTEE WITH THE TDP, AND ITS OTHER**  
20 **OBLIGATIONS UNDER THIS FRANCHISE, ITS CONCESSION**  
21 **AGREEMENT, AND OTHER APPLICABLE LAWS, RULES AND**  
22 **REGULATIONS.**

23  
24 **SECTION 4. *Repealing Clause.*** – All laws, decrees, orders, issuances, rules and  
25 regulations or parts thereof which are inconsistent with this Act are hereby repealed  
26 or modified accordingly.

27  
28 **SECTION 5. *Effectivity.*** – This Act shall take effect fifteen (15) days after its  
29 publication in the *Official Gazette* or in at least two (2) newspapers of general  
30 circulation.