



Republic of the Philippines
National Electrification Administration
Quezon City

21 October 2004

NEA MEMORANDUM No. 2004-024

TO : ALL ELECTRIC COOPERATIVES

SUBJECT : EC MODEL ORGANIZATIONAL STRUCTURE

I. Rationale

The Electric Power Industry Reform Act or RA 9136 revolutionized the power industry landscape in terms of business operation and participation of market players. Stakeholders as well as opportunities within the industry have increased and will continue to increase in the coming years as a result of new policies giving way to a deregulated power industry.

Thus, the energy playing field is being altered into a sector very much unlike the one where the existing EC organizational structure has been based upon. Among the new market factors and innovations that ECs now have to contend and deal with, both structurally and functionally, are the wholesale electricity spot market, open access, business unbundling, and technical compliances to the grid and distribution codes.

With the apparent mismatch of the existing EC structure with the new industry features, a re-engineering of the EC Table of Organization is deemed appropriate to enable the ECs to succeed in the highly competitive power sector.

II. Objectives

The modified organizational structure for ECs aims to fulfill the following objectives:

1. To redefine the coop's vision, mission and goals to achieve the desired level of quality, reliability, security and affordability of the supply of electric power;
2. To match the competencies of personnel and functions of the different offices in the EC to the requirements of the EPIRA in the financial, institutional, and technical areas of operation;
3. To institute a lean but mean workforce capable of realizing the vision of a viable and efficient electric cooperative; and
4. To address both the present and the future requirements of the ECs on open access, trading, and the "Wires" or wheeling business, both structurally and functionally.

III. Mechanics of Implementation

The coop can start the restructuring process by forming a Committee for the Creation of a New Organizational Structure that will spearhead all efforts and initiatives leading to a new Table of Organization for the EC. It shall be composed of representatives from the financial, institutional and technical sectors with the following members:

- a. Department Managers
- b. Division Managers
- c. Sub-Office/Area Managers, and
- d. Representative/s from the Association/Union (maximum of two)

The committee will be tasked to undertake the following responsibilities:

1. Identify and analyze the coop's strengths, weaknesses, opportunities, and threats (SWOT) in a deregulated and highly competitive power industry;
2. Define the vision, mission, and goal/s (VMG) of the cooperative;
3. Define the core functions of the different departments and offices of their proposed structure;
4. Illustrate the workflow of each activity in all the department to identify and eliminate redundant functions;
5. Formulate the management tools;
6. Submit the outputs to the General Manager for review and approval; and

7. Present the outputs to the Board of Directors for its final approval thru a Board Resolution. (The approval of the BOD is subject to the confirmation of the NEA to make it valid.)

IV. Management Tools

After thorough evaluation and deliberation, the Committee is expected to produce the following management tools:

1. Table of Organization/Organizational Units

The model structure (Attachment A) for a typical EC has six (6) departments, namely:

- a. Financial Services
- b. Institutional Services
- c. Technical Services
- d. Internal Audit
- e. Energy Retail Services
- f. Area/Sub Offices

The Energy Trading Office and Corporate Planning/Information Technology Office are added in the structure, directly under the Office of the General Manager (Attachment B) to enable the ECs to compete in the new environment and to ensure accountability of EC management.

2. Functional Chart

To clearly differentiate the functions of the departments from each other in the new organizational structure, the tasks/jobs are grouped according to segments of specialization (Attachment C). The decentralization of functions to Sub-Offices is being encouraged to make coop services more accessible and responsive to the needs of its clientele or member-consumers.

3. Staffing Pattern

The ratio of employees vis-à-vis the number of consumers, based on the coop's existing classification, should be taken into consideration when determining the number of plantilla positions in each department/office. The coop can be "lean and

mean" without losing access to the key skills required to manage the operations of the coop.

Also, the concept of venturing into outsourcing jobs for the implementation of some engineering functions like construction/rehabilitation of lines, clearing of lines, disconnection, etc. can be carefully planned to achieve the desired employee-consumer ratio.

4. Early Retirement Program

A program for employees' early retirement package with cost benefit analysis must be prepared to maintain the standards in the Non-Power Cost Level of ECs.

The possibility of creating a subsidiary, manned by coop employees who will be adversely affected by the restructuring, can be taken into consideration by the coop when designing the retirement program.

V. General

The model organizational structure is prepared for the ECs to strengthen and sustain the smooth and continuous implementation of the rural electrification program. The determination of the necessary deviations from the NEA-proposed structure is left to the good judgment of the EC Board and management.

VI. Approved by the NEA Board of Administrators through Board Resolution No. 106, S. 2004 on 21 September 2004. This supersedes NEA Bulletin No. 4 dated 03 January 1974.

VII. This guideline shall take effect immediately.

Edita S. Bueno
EDITA S. BUENO
Administrator

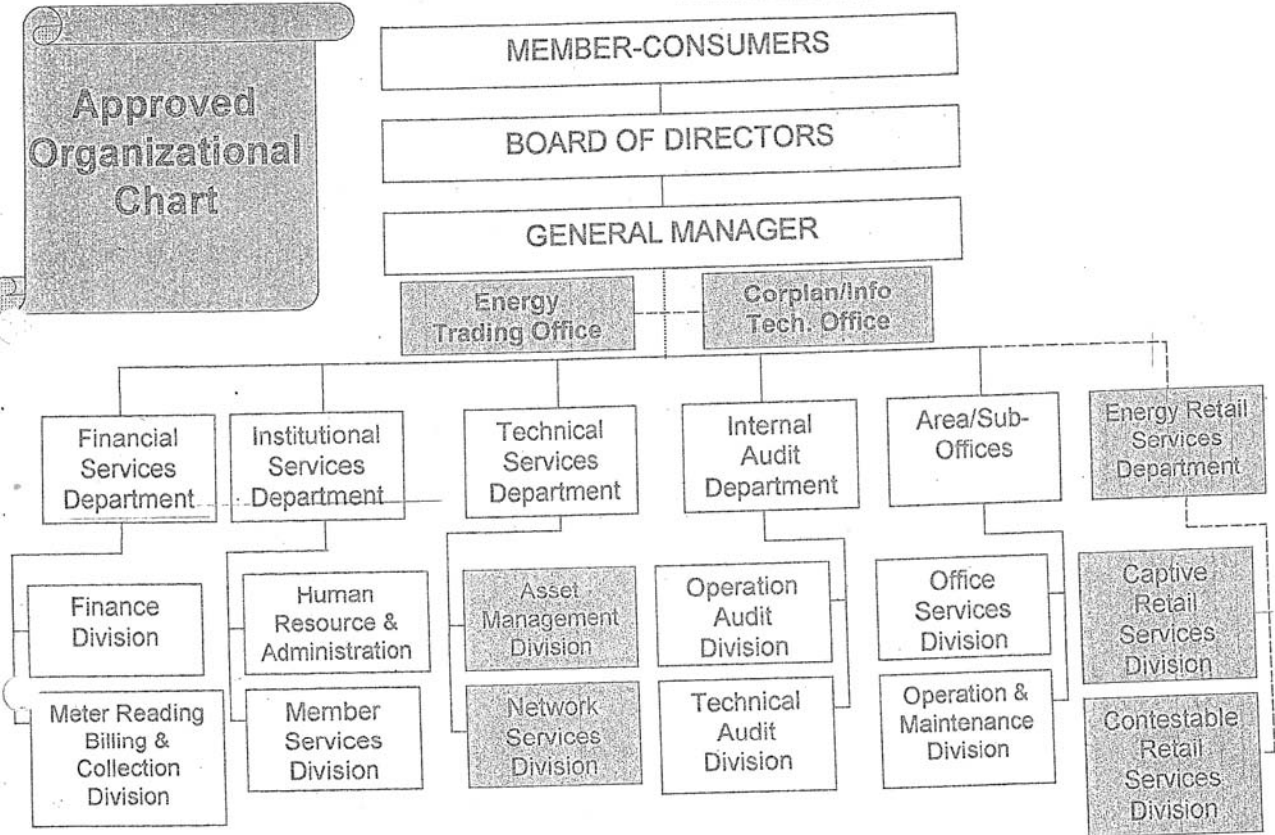
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Approved Organizational Chart



Approved Functional Chart

