



Republic of the Philippines
National Electrification Administration
Quezon City

29 December 2004

NEA MEMORANDUM No. 2005-002

TO : **ALL ELECTRIC COOPERATIVES**

SUBJECT : **REVISED CRITERIA FOR CATEGORIZATION OF
ELECTRIC COOPERATIVES (ECs)**

I. RATIONALE

The annual categorization of ECs is conducted to evaluate their operating performance based on established criteria. This set of categorization criteria was revised in order to be responsive to the present challenge posed upon the NEA and the ECs to operate viably in a deregulated environment as provided for in the Electric Power Industry Reform Act of 2001 (R.A. 9136). Accordingly, additional criteria are introduced to address concerns of the member-consumers as well as to help attain the NEA's mandate of total electrification.

II. CATEGORIZATION CRITERIA: Factors and Scoring System

1. Amortization Payment to NEA

This pertains to the ability of the ECs to fulfill their loan obligations with NEA in terms of payment of their respective amortizations due.

Performance rating for loan amortizations shall be determined on a quarterly basis and the average of the four (4) ratings shall be the final annual rating for loan amortization.

[Handwritten signatures and initials]

1.1. Major Criteria

<u>Status of Payment</u>	<u>Point Score</u>	
	<u>Regular</u>	<u>Restructured</u>
Current todote	20 pts.	15 pts
Up to 1 qrtr. overdue	15	10
Up to 2 qrtrs. overdue	10	5
Up to 3 qrtrs. overdue	5	0
Up to 4 qrtrs. overdue	0	-2
Up to 5 qrtrs. overdue	-2	-4
Up to 6 qrtrs. overdue	-4	-6
Up to 7 qrtrs. overdue	-6	-8
Up to 8 qrtrs. and above	-8	-10

1.2. Definition

1.2.1. Regular – ECs without restructured account with NEA and ECs with restructured unpaid interest up to the time of loan assumption by PSALM.

1.2.2. Restructured – ECs with approved restructured loans.

1.3. Incentive Points for Advance or Excess Amortization Payment

ECs which are able to pay advance amortization or which have excess payment to NEA are given one (1) point for every quarter advance payment but not to exceed five (5) points. The incentive point shall apply to both the regular and restructured ECs. Incentive point for ECs with excess payment shall be based on latest EQA.

2. System Loss

This pertains to the ability of the ECs to reduce the power losses in their electric system.

2.1. Formula

$$\text{System Loss} = \frac{\text{Energy Input} - \text{Energy Output}}{\text{Energy Input}} \times 100\%$$

$$\text{Energy Input} = \text{Energy Purchased} + \text{Energy Generated}$$

$$\text{Energy Output} = \text{Energy Sales} + \text{Energy Recovered} + \text{Energy Used By the EC}$$

[Handwritten signatures and initials]

2.2. Definition

- Energy Purchased -- The total energy (in kWh) purchased by the EC from power supplier(s).
- Energy Generated -- The total energy (in kWh) generated by the power plant of the EC.
- Energy Sales -- The total energy or electric consumption (in kWh) of the consumers as read from their billing meters. For minimum bill consumers, only the actual kWh consumption as read from their billing meters shall be considered.
- Energy Recovered -- The energy (in kWh) not registered in the consumers' billing meters but were recovered later due to corrective measures undertaken by the EC. The energy recovered shall be considered in the computation of systems loss only upon full payment by the concerned consumers and that the energy was recovered within the same year in review as that of the occurrence of the erroneous billing or pilferage.
- Energy Used by the Electric Cooperative -- The total energy consumption (in kWh) of the EC's facilities as read from its billing meters.

2.3. Major Criteria

<u>System Loss</u>	<u>Point Score</u>
9% and below	25
10%	24
11%	23
12%	22
13%	21
14%	20
15%	5
Above 15%	0

Handwritten signatures and initials:
A
B
C
D
E
F
G
H
I
J
K
L
M
N
O
P
Q
R
S
T
U
V
W
X
Y
Z

2.4. Incentive Points for System Loss Reduction

- a. 2 points for every 1% reduction in system loss from 9%;
- b. 1 point for every 1% reduction in system loss for ECs with system loss above 15%;

provided, that such incentive points will not exceed 5 points and provided further, that the overall total score for an EC does not go beyond 100 points.

3. Collection Efficiency

This item refers to the capability of ECs to collect consumer accounts receivables. While the EC may be performing well in other aspects of operations, its inability to collect receivables on time will affect its financial position.

3.1. Formula

$$\text{Collection Efficiency} = \frac{\text{Collection for the Year}}{\text{Gross A/R Beg.} + \text{Gross Sales for the Year} - \text{Gross Current Mo. Sales}}$$

3.2. Definition

Gross A/R Beg., Gross Sales and Gross Current Mo. Sales are inclusive of 5% reinvestment.

Gross A/R Beg. is inclusive of allowance for doubtful account.

3.3. Criteria

<u>Collection Eff.</u>	<u>Score</u>	<u>Collection Eff.</u>	<u>Score</u>
95% & above	15 pts.	87%	7 pts.
94%	14	86%	6
93%	13	85%	5
92%	12	84%	4
91%	11	83%	3
90%	10	82%	2
89%	9	81%	1
88%	8	80% and below	0

[Handwritten signatures and initials]

4. Payment to Power Supplier and National Transmission Corporation (TRANSCO).

These are the biggest expenses the coop has to promptly settle on time so as not to incur additional surcharges and other penalties and ultimately, disconnection.

Status	Main Grid				Island EC	
	GENCO		TRANSCO		GENCO	
	Without Restructuring	With Restructuring	Without Restructuring	With Restructuring	Without Restructuring	With Restructuring
Current	10	8	5	4	15	12
1 Month Overdue	8	5	4	2	12	7
2 Months Overdue	5	0	2	0	7	0
3 Months Overdue & above	0	-3	0	-2	0	-5

5. Non-Power Cost

In order to encourage the ECs to confine their non-power expenditures within the limits set by the NEA-approved budget in relation to actual collections, appropriate points are given to ECs depending on how these expenditures match with the approved budget level.

<u>Budget Compliance</u>		<u>Score</u>
Within approved budget	-	10 pts.
Above approved budget by 1%	-	8
2	-	6
3	-	4
4	-	2
5 and above	-	0

6. System Reliability

6.1. System Average Interruption Frequency Index (SAIFI)

SAIFI is the total number of sustained customer power interruptions within a given period divided by the total number of customers served within the same period.

$$\text{SAIFI} = \frac{\text{Total number of sustained customer power interruptions}}{\text{Total number of customers served}}$$

NEA Standard : 0.8-1.3 interruptions/customer

5

6.2. System Average Interruption Duration Index (SAIDI)

SAIDI is the total duration of sustained customer power interruptions within a given period divided by the total number of customers served within the same period.

$$\text{SAIDI} = \frac{\text{Total number of customer interruption duration}}{\text{Total number of customers served}}$$

NEA Standard : 70-90 minutes/customer

6.3. Momentary Average Interruption Frequency Index (MAIFI)

MAIFI is the total number of momentary customer power interruptions within a given period divided by the total number of customers served within the same period.

$$\text{MAIFI} = \frac{\text{Total number of momentary customer power interruptions}}{\text{Total number of customers served}}$$

NOTE: Interruptions not exceeding 5 minutes are considered momentary.

NEA Standards : less than 3 minutes

6.4. References

1. Section 3.3 of the Distribution Code
2. Engineering Bulletin DX 1130 "Service Reliability"
3. Monthly Engineering Report

6.5. Criteria

SAIFI Interruptions/ Customer	Pt.	SAIDI Minutes/ Customer	Pt.	MAIFI Interruptions/ Customer	Pt.	TOTAL Points
0.80 and below	2	70 and below	2	1 and below	1	5
0.81-0.93	1.5	71-75	1.5	1.1-1.75	0.75	
0.94-1.06	1.0	76-80	1.0	1.76-2.25	0.5	
1.07-1.19	0.5	81-85	0.5	2.26-3	0.25	
1.2-1.30	0.25	86-90	0.25	Above 3	0	
Above 1.30	0	Above 90	0			

Handwritten signatures and initials are present on the right side of the page, including a large signature at the top, several smaller initials in the middle, and a signature at the bottom right.

7. Barangay Energization

This criterion is in line with NEA's mandate of total electrification and the government's target of 100% barangay energization by 2008.

7.1. Major Criteria

<u>Level of Energization (%)</u>	<u>Score</u>
100	5
90-99	4
80-89	3
60-79	2
40-59	1
Below 40	0

7.2. Incentive Points

ECs which are able to energize barangays during the period under review shall be given one (1) point for every ten (10) barangays energized but not to exceed two (2) points, provided that the total point score for this criterion shall not exceed five (5) points.

8. Demerit Points

Cash Advances to Officers & Employees

As a measure to discourage the ECs from granting excessive cash advances to officers and employees and to encourage them to strictly effect immediate liquidation of the same, one (1) point is deducted for every P50,000 unliquidated cash advances at the end of the year in review but not to exceed 20 demerit points.

Cash Advances charged back due to audit disallowances shall have a one time demerit point deduction provided there is a 20% payment/reduction in the original amount disallowed, in which case the remaining balance should be reclassified to Other Receivables account (143). If not, the balance will remain in the Cash Advances (145) account.



9. Over-all Scoring System

<u>Score</u>	<u>Category</u>	<u>Adjectival Rating</u>
90 & above	A+	Outstanding
75 - 89	A	Very Satisfactory
65 - 74	B	Satisfactory
55 - 64	C	Fair
30 - 54	D	Poor
29 Below	E	*

* ECs under this Category are those which have not shown any improvement in their operations.

10. The general rule of rounding off figures will be followed except for amortization payment and cash advances.

11. ECs are required to coordinate with the Institutional Development Department regarding all data pertinent to categorization not later than the 15th of February of the following year.

Request for reconsideration after such date shall no longer be entertained for categorization purposes.

12. The ECs Categorization for the first sixth months of every year shall also be conducted to serve as an advisory to ECs but will not be used as basis for any adjustments in officials/employees benefits.

13. Effectivity

These revised criteria shall be applied in the evaluation of ECs performance starting 2005 operation.


EDITA S. BUENO
Administrator

NATIONAL ELECTRIFICATION
ADMINISTRATION

IN REPLYING, PLEASE REFER TO: #OR006294



ed
1/18/05