



Republic of the Philippines
National Electrification Administration
Quezon City

12 May 2008

MEMORANDUM No. 2008-013

TO : ALL ELECTRIC COOPERATIVES (ECs)
SUBJECT : Performance-Based Incentive for Electric Cooperative Employees (PIECE)

I. RATIONALE

The increasing pressure for Electric Cooperatives (ECs) to perform well in order to ably compete with private investor-owned utilities in an environment of open access calls for the development of a rigorous set of measurements/benchmarks that will determine the contribution of individuals and departments/units toward the achievement of the over-all organizational goals.

This way, performance of officers and employees will be maximized, recognized, and rewarded for the interest of both the cooperative management and employees. The new scheme shall be called Performance-Based Incentive for Electric Cooperative Employees (PIECE).

This shall help rationalize any query from government regulators and from the public on grant of performance incentives.

II. OBJECTIVES

- To recognize the performance of officers and employees who contributed largely to the overall accomplishment of the coop.
- To provide incentives for the departments, units and individual whose combined efforts resulted to the achievement of their performance targets.
- To incorporate in the annual Coop Operating Budget the necessary funds for the implementation of PIECE.
- To increase awareness and responsibility, and to systematize the grant of incentives, specifically for the Year-end.

III. DEFINITION OF TERMS

1. Coop-Wide Incentive(CWI) - refers to the identified corporate targets/parameters in accordance with its approved Integrated Strategic Plan found in its Integrated Computerized Planning Model (ICPM)
2. Department-Wide Incentive (DWI) – refers to the departmental accomplishment report vis-à-vis action plan which shall be the basis for the computation of the department wide incentive.
3. Individual Performance Incentive (IPI) – refers to individual accomplishment in accordance with the EC's Performance Evaluation System (PES)
4. Total Incentive Package – (TIP) – refers to the combined total points of the CWI, DWI, and IPI rating
5. Maximum Potential Incentive (MPI) = refers to the amount to be given to an official/employee at a given period

IV. MECHANICS

1. The coop shall set corporate parameters or targets in accordance with its approved Integrated Strategic Plan found in its Integrated Computerized Planning Model (ICPM) with corresponding assigned percentage (%) weight. Example: (barangay energization, consumer connections, collection efficiency, system loss, payables of contractual obligations, compliance to Grid and Distribution Code, etc.)
2. A formal consultation with employees should be held in the formulation of the plan in regard to its operations and distribution of rewards, and in monitoring the implementation of PIECE.
3. To be able to interrelate the above procedures, the Performance-Based Incentive as part of the policy shall be made up of three parts, namely:
 1. Coop Wide Incentive
 2. Department Wide Incentive
 3. Individual Performance Incentive

The computation shall be as follows:

1.	CWI	-	50%
2.	DWI	-	30%
3.	IPI	-	<u>20%</u>
	EC-TIP	-	100%

Thus, the formula of EC-TIP:

$$\text{TIP} = \text{MPI} (\text{CWI} \times \% \text{Acc}) + \text{MPI} (\text{DWI} \times \% \text{Acc}) + \text{MPI} (\text{IPI} \times \text{PES})$$

Where Acc = Accomplishment

TIP = Total Incentive Package

MPI = Maximum Potential Incentive

PES = Performance Evaluation System

- In providing for the incentive, the threshold level is a rating of 75% within the performance rating curve. Any rating below this score will not merit any incentive pay.

Sample Computation for Coop Wide Incentive (CWI)

	Barangay Energization	Consumer Connection	Collection Efficiency	System Loss
2008 Target	15	20,000	98%	10%
%Weight	30	20	20	30
Formula	$\frac{\text{Actual} \times 30}{\text{Target}}$	$\frac{\text{Actual} \times 20}{\text{Target}}$	$\frac{\text{Actual} \times 20}{\text{Target}}$	$\frac{\text{Actual} \times 30}{\text{Target}}$
Acc	Meets target	Exceeds target	Exceeds target	Below Threshold
e.g.	$\frac{15 \times 30}{15}$	$\frac{24,000 \times 20}{20,000}$	$\frac{99 \times 20}{98}$	$\frac{10 \times 30}{10}$
Total Points Accomplishment	30	20	20	30

Note: In this example, where actual accomplishment exceeded the targets and the actual computation shows 24% where it exceeded the limit, the maximum points will be granted.

Computation for DWI and IPI shall be the actual rating in accordance with the coop existing Performance Evaluation System.

IV. RESPONSIBILITY AND ACCOUNTABILITY

The Finance Manager and Internal Auditor shall be responsible for monitoring compliance with these guidelines.

The General Manager shall be accountable for the proper implementation of these guidelines. He shall likewise be held liable for the grant of any benefit and allowance over and above those provided under these guidelines.

V. EFFECT ON OTHER ISSUANCES/EFFECTIVITY

This shall take effect on 01 May 2008.

Edita S. Bueno
EDITA S. BUENO
 Administrator

NATIONAL ELECTRIFICATION
 ADMINISTRATION

IN REPLYING, PLS. QUOTE: #OR012413



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