



Republic of the Philippines
National Electrification Administration

"The 1st Performance Governance System - Institutionalized National Government Agency"

19 July 2011

MEMORANDUM No. 2011-016

TO : ALL ELECTRIC COOPERATIVES (ECs)

SUBJECT : ENHANCED 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. NEA recently adopted a new set of Key Performance Standards which will be applied starting performance year 2012. Meantime, in anticipation of a more rigorous set of compliance standards, this set of categorization criteria was further enhanced in order to be responsive to the present challenge posed upon the NEA and the ECs.

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 amortization due.

1.1. Major Criteria

Status of Payment	Point Score	
	Regular	Restructured
Current	15	12
Up to 1 qrtr. overdue	10	7
Up to 2 qrtrs. overdue	5	2
Up to 3 qrtrs. overdue	0	-2
Up to 4 qrtrs. overdue	-2	-4
Up to 5 qrtrs. overdue	-4	-6
Up to 6 qrtrs. overdue	-6	-8
Up to 7 qrtrs. overdue	-8	-10

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1.2. Definition

1.2.1 Regular – ECs without restructured and unpaid interest accounts with NEA.

1.2.2 Restructured – ECs with approved restructured loans with NEA. Approved restructured loan should include arrears in regular loan and unpaid interest account. ECs which are able to pay their restructured loan regularly for at least two (2) years should be treated as regular ECs.

1.3. Incentive Points

ECs which are able to pay advance amortization equivalent to the required quarterly amortization are given one (1) incentive point for every one (1) quarter advance payment but not to exceed two (2) points. This shall be applied to both the regular and restructured ECs.

2. System Loss

This parameter measures the ECs ability to reduce the power losses in their electric system in order to effect reduction in distribution cost.

2.1 Formula

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

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

$$\text{Energy Output} = \text{Energy Sales} + \text{Energy Recovered}$$

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.

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- Energy Recovered – The energy (in kWh) not registered by 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 upon settlement and/or execution of promissory note by the concerned consumer and that the energy was recovered within the same year in review.

2.3. Major Criteria

System Loss (%)	Point Score
Below 10	20
10.00 to 10.50	18
10.51 to 11.50	17
11.51 to 12.50	16
12.51 to 13.00	15
13.01 to 14.00	10
14.01 and above	0

2.4. Incentive Points

One (1) incentive point for every 1% reduction in system loss from 9.99% but not to exceed two (2) 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

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

3.2 Definition

Gross A/R Beg., Gross Sales and Gross Current Mo. Sales are inclusive of Members' Contribution for Capex (MCC).

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

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 Gross Sales
 Gross A/R Beg.
 Gross Current Mo. Sales
 MCC

3.3 Criteria

Collection Efficiency (%)	Point Score	Collection Efficiency (%)	Point Score
95 and above	15	87	7
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

4. Payment to Power Supplier/s and the National Grid Corporation of the Philippines (NGCP)

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

EC's unpaid power accounts with the National Power Corporation (NPC)/Power Sector Assets and Liabilities Management Corporation (PSALM) and EVAT (collected but not remitted) will be considered on top of its payment status with the present power supplier/s and the Wholesale Electricity Spot Market (WESM).

Status	Main Grid				Island EC	
	GENCO/s *		NGCP		GENCO/s	
	Without Restructuring	With Restructuring	Without Restructuring	With Restructuring	Without Restructuring	With Restructuring
Current	10	8	5	4	15	12
1 Mo. Overdue	8	5	4	2	12	7
2 Mos. Overdue	5	0	2	0	7	0
3 Mos. Overdue and above	0	-3	0	-2	0	-5

* Including payment to WESM

5. Non-Power Cost

In order that ECs confine their non-power expenditures within the NEA-approved level computed based on ERC approved rate, appropriate points are added to the over-all rating of ECs depending on how these expenditures match with their approved non-power cost level.

Budget Compliance	Point Score
Within approved level	10
Above approved level by 1%	8
2	6
3	4
4	2
5 and above	0

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6. Level of Energization

This criterion is in line with NEA's mandate of total electrification and the target to attain total sitio energization by 2020. To recognize the EC's efforts to serve additional consumers, the level of consumer connection performance is also included as part of this parameter.

6.1 Sitio

6.1.1 Major Criteria

Level of Energization (%)	Point Score
100	5
85-99	4
65-84	3
45-64	2
25-44	1
24 and below	0

6.1.2 Incentive Point

ECs which are able to energize at least ten (10) sitios during the period under review shall be given one (1) incentive point.

6.2 Consumer Connections

Level of Connections Served (%)	Point Score
95-100	5
85-94	4
65-84	3
45-64	2
25-44	1
24 and below	0

7. Result of Financial Operation

This parameter measures the ECs ability to earn margin in order to compete in the deregulated environment and gain credit worthiness among banks and other financing institutions.

Status of Operation	Point Score
With Margin Before Members' Contribution for Capex (MCC)	10
Net Loss	0

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8. Demerit Points

Cash Advances to Officers and 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 Point Score

Score	Category	Adjectival Rating
90 and above	A+	Outstanding
75 – 89	A	Very Satisfactory
65 – 74	B	Satisfactory
55 – 64	C	Fair
30 – 54	D	Poor
29 and 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 no longer be followed.
- 11. ECs are required to coordinate with the Institutional Development Department regarding all data pertinent to categorization not later than the 20th of February of the following year.
- 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 2011 operation.

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Administrator

NATIONAL ELECTRIFICATION
ADMINISTRATION

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