



Republic of the Philippines
National Electrification Administration
"The 1st Performance Governance System - Institutionalized National Government Agency"

31 August 2011

MEMORANDUM No. 2011-020

TO : ALL ELECTRIC COOPERATIVES (ECs)

SUBJECT : KEY PERFORMANCE STANDARDS (KPS) FOR ECs

I. RATIONALE

The Electric Power Industry Reform Act (EPIRA) of 2001 mandated the adoption of structural reforms in the power industry with the objective of ensuring the quality, reliability, security and affordability of electric power. Specifically, Section 58 of the EPIRA mandated NEA to:

- 1) prepare the ECs in operating and competing under the deregulated electricity market;
- 2) strengthen the technical capability and financial viability of rural ECs; and
- 3) review and upgrade regulatory policies with a view to enhancing the viability of rural ECs as electric utilities.

Pursuant to said mandate, the NEA and the ECs have made major strides towards the attainment of the essential reforms to ensure their viability and sustainability in the new environment.

To meet the current demands of the Power Industry, it is imperative to formulate a set of Key Performance Standards by which the ECs as distribution utilities shall be guided further to survive competition.

II. OBJECTIVES

- 1) To establish standards that will be used as a tool to measure the ECs' financial, institutional and technical performance as distribution utilities, thus determining credit worthiness, level of development and protection of its consumers;
- 2) To ensure technical compliance with the standards set in the Philippine Electrical Code (PEC), Philippine Grid/Distribution Code (PG-DC), and Distribution Service and Open Access Rule (DSOAR), Magna Carta for Residential Electricity Consumers, thus will be operating in a safe and efficient manner with high degree of reliability;

- 3) To serve as basis for developing performance incentive mechanisms for EC officials and employees; and
- 4) To prescribe reportorial requirements, thus promoting accountability and responsibility in its compliances and fiduciary obligations.

III. POLICY STATEMENT

It shall be the policy of NEA to implement a set of Key Performance Standards for ECs that will serve as basis in the evaluation and assessment of the ECs annual performance.

IV. SCOPE

The Key Performance Standards shall cover all NEA-supervised ECs which shall include those that are connected with the main grid and those situated in small islands and are not connected with the said grid. Necessarily, two sets of standards will be implemented to enable the ECs to fairly respond to and comply with the different parameters.

V. PARAMETERS

1. There shall be four (4) major parameters with the following weight impact:

Financial	-	30%
Institutional	-	35%
Technical	-	30%
Reportorial Compliances	-	5%

PERFORMANCE INDICATORS	STANDARDS			WEIGHT (%)
FINANCIAL				30%
1. Leverage				8
• Debt Ratio	Up to 0.60x			4
• Debt Service Cover	At least 1.20x			4
2. Liquidity Ratio	Year 1	Year 2		4
• Quick Ratio				
Main Grid	At least 1.00x	At least 1.00x		
Off Grid	At least 0.70x	At least 1.00x		
3. Efficiency				13
• Payment to Power Supplier/ Transmission (Main Grid)	Current			5
• Payment to NEA	Current			4
• Average Collection Period	Year 1	Year 2	Year 3	4
	Not more than 45 days	Not more than 40 days	Not more than 35 days	
4. Profitability (25%)	Positive			5

Allowance for doubtful accounts and accounts to be written-off shall not exceed 5% of the Accounts Receivables based on NEA Memoranda dated 06 January 1998 and 13 June 2007.

PERFORMANCE INDICATORS	STANDARDS	WEIGHT (%)
INSTITUTIONAL		35%
1. HUMAN RESOURCE:		14
Leadership and Management		
a. Good Governance		
• Performance Rating of BOD	Compliant	5
• Performance Rating of GM	Very Satisfactory	4
• Audit Rating		2
NEA Audit	Blue (ECAD Color Coding)	
External Audit	Unqualified	
b. Employee-Customer Ratio	1:350	1
c. Capacity Building	One (1) training per employee per year	1
d. Retirement Fund	Funds availability based on updated or periodic actuarial study (at least 5 yrs)	1
2. STAKEHOLDERS		14
a. Customer Service		
1. Processing/Approval of applications for service connection (with complete requirements)	Within one (1) day upon receipt of application	2
2. Service-drop connection	Within two days	2
3. Restoration of service after line fault on the secondary side, including service drop/ lateral	Within four (4) hours after receipt of the report	2
4. Response time on Consumer Complaints (Billing, Payment and Meter Complaints)	Within twenty-four (24) hours after receipt of complaints	2
5. Timeframe in informing Customer on scheduled power interruptions	At least three (3) days before scheduled interruption	2
6. Response time to emergency calls	Within thirty (30) minutes	2
7. Response time to reconnection of service due to disconnection	Within twenty-four (24) hours	2

PERFORMANCE INDICATORS	STANDARDS	WEIGHT (%)
b. Members' Participation/ Involvement		<u>5</u>
1. Annual General Membership Assembly (AGMA)	<u>5 % of Total Member-consumers</u>	3
2. District Election	<u>5% of Total Members (except for districts with unopposed candidates)</u>	2
c. Information, Education & Communication Technology	Website* Short Messaging System* Hotline for Complaints* Automated Meter Reading Billing & Collection On-line Telling <i>*For Off-Grid ECs</i>	<u>2</u>

PERFORMANCE INDICATORS	STANDARDS	WEIGHT (%)
TECHNICAL		30%
1. Power Reliability		<u>15</u>
a. SAIFI System Average Interruption Frequency Index	30 Interruption-Consumer-Year (Unplanned Interruptions)	5
b. SAIDI System Average Interruption Duration Index	45 Hour-Year (Unplanned Interruptions)	5
c. CAIDI Consumer Average Interruption Duration Index	4.0 Hour-Interruption (Planned Interruptions)	5
2. Power Quality		<u>10</u>
a. Voltage Level • Nominal Voltage • Over Voltage • Under Voltage	230V (Provided that Supply Voltage (69KV) is within plus or minus 5% variation) Not more than 253V Not less than 207 V	6
b. Voltage Unbalance	Not greater than plus or minus 2.5%	2
c. Loading Unbalance	Not greater than plus or minus 10%	2
3. System Efficiency		<u>5</u>
a. System Loss Cap	Within the cap	4
b. Power Factor	90% and above (Lagging)	1

PERFORMANCE INDICATORS	STANDARDS	WEIGHT (%)
REPORTORIAL REQUIREMENTS COMPLIANCE	Timely and Complete Submission of Reports	5%
1. Monthly Financial and Statistical Report (MFSR)	Every 21 st of the following month	1
2. Performance Standard Monitoring Report (PSMR)		1
3. Engineering Report (MER)		1
4. Audited Financial Statement	Every Mar. 31 st of the succeeding year	1
5. Enhanced Integrated Computerized Planning Model (eICPM)	1 st Quarter of succeeding year	1

2. There shall be Mandatory Performance Indicators (MPIs) for the ECs in order to attain a final rating of Good to Highest, otherwise, result of rating shall be "Average"

MANDATORY PERFORMANCE INDICATORS (MPIS)

FINANCIAL	
Profitability (5pts)	Positive
Payment to Power Supplier (5pts)	Current
INSTITUTIONAL	
Customer Service Standard (14 pts)	Compliant
5% AGMA Attendees (3pts)	Conducted
District Election (2pts)	Conducted
TECHNICAL	
System Loss (4pts)	Within the cap
Reliability Indices (15pts)	Compliant

3. The Final Rating

OVERALL PERFORMANCE RATING SCHEME

PERFORMANCE RATING	POINT SCORE
Highest	95-100
High	90-94
Good	85-89
Average	75-84
Low	50-74
Poor	49 and Below

VI. RESPONSIBILITY

The Cluster on EC Key Performance Standards composed of staff from Accounts Management & Guarantee, Management Assistance Group, Finance, EC Audit, Engineering and Institutional Development Departments shall process, review and validate reports submitted by the ECs. The consolidated reports shall be submitted to the Deputy Administrator for Electric Distribution Utilities Services and to be approved by the Administrator.

VII. EFFECTIVITY

This policy had been approved by the NEA Board of Administrators in its 26 August 2011 meeting through Resolution No. 27. It shall become effective fifteen (15) days after its publication in a newspaper of general circulation. Further, this policy shall be used in the evaluation of the 2012 operational performance of ECs, the maiden result of which shall be issued in the first quarter of 2013. Henceforth, the same shall be applied in the evaluation of performance of ECs, and shall serve as basis for subsequent actions of NEA for ECs.

Edita S. Bueno
EDITA S. BUENO
Administrator

NATIONAL ELECTRIFICATION
ADMINISTRATION

IN REPLYING, PLS. CITE: #OR019094



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10/7/11

- * Approved by the NEA Board of Administrators per Board Resolution No. 27 dated August 26, 2011
- * Published in The Manila Times on October 21, 2011
- * Published in the UP Law Center on October 12, 2011.