



31 July 2015

MEMORANDUM No. 2015-023

TO : ALL ELECTRIC COOPERATIVES (ECs)

SUBJECT : Policy on Electric Cooperatives' Resiliency Program

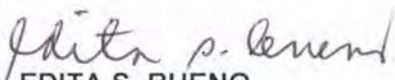
Recognizing the frequent occurrence of natural calamities together with their extraordinary intensity, as the new normal, it is declared that electric cooperatives shall set up a Disaster Resiliency Program and towards this end, they shall:

- 1) Build a pool of linemen and electricians on a regional basis, to do emergency power restoration works in times of calamities and in normal times, do sitio and households electrification projects;
- 2) Establish buffer stock of materials composed of poles, insulated conductors, distribution transformers, electronic KWH meters and service wires;
- 3) Prepare electric distribution system design in conformity with the "Build Back Better" scheme;
- 4) Adopt a Regional Procurement process through the regional association to undertake the procurement of identified buffer stock of materials; and
- 5) Identify cost recovery for buffer stock and mobilization.

The devastation brought about by Super Typhoon Yolanda left us with vivid and appalling sights of almost total helplessness. We learned valuable lessons from Yolanda and these should be translated into courses of action to ensure ample preparedness for such events of nature.

This policy is a result of over a year consultations with ECs and other stakeholders, and their suggestions, comments and views have been highly valued. It expects to properly plan and program in advance, requirements of ECs to cover a successful resiliency undertaking.

Therefore, each EC is enjoined to fully adhere to the policy and incorporate its requirements in its CAPEX planning in consultation with this Office and for proper consideration by the Energy Regulatory Commission.


EDITA S. BUENO
Administrator



NEA-OA212804 *ink*
8/12/15



POLICY ON ELECTRIC COOPERATIVES' RESILIENCY PROGRAM

I. RATIONALE

The pursuit of total electrification in the country through the electric cooperatives by way of enhancing distribution development under RA 10531 has to heavily consider the effect of climate change.

The effect of climate change can no longer be avoided as evidenced by the occurrence of natural disasters and calamities brought by *force majeure* events such as typhoons, storms and tropical depressions that tend to increase in intensity with the passage of time. More often these disasters and calamities damage/destroy Electric Cooperatives' (ECs') distribution lines and other vital facilities. Typhoon Yolanda with its 290 km per hour strength destroyed vast portion of EC's distribution system along its path. This effect of climate change on weather condition is now termed as the "New Normal" which will now be considered in the design and construction of EC distribution system.

Man-made calamities and disasters due to fortuitous events such as war, sabotage, and insurrection are other events that result in the destruction of EC electrical facilities. The Zamboanga siege is an example where millions worth of EC line materials were destroyed.

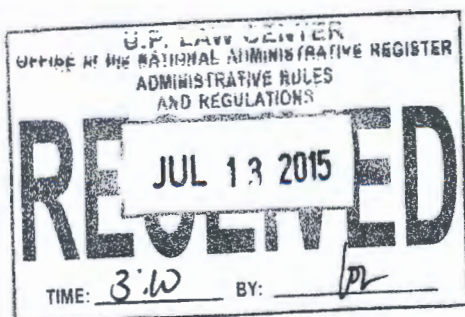
There is now a paramount need for the EC to come up with materials and equipment buffer stock for emergency response for the repair and rehabilitation of damaged distribution lines and restoration of electric service soonest after the occurrence of *force majeure* and/or fortuitous event.

II. OBJECTIVES

- (1) To ensure the availability of vital materials and equipment for immediate restoration/rehabilitation of distribution lines damaged by disasters and calamities.
- (2) To establish ample stock of materials and equipment for emergency response in the rehabilitation/restoration of distribution lines damaged by natural or man-made disasters and calamities.
- (3) To assure that buffer stock of materials and equipment specifications for distribution lines restoration are in conformity with the "Build Back Better" scheme.

III. POLICY

Recognizing the frequent occurrence of natural calamities as the new normal, it is declared that electric cooperatives shall set up a Disaster Resiliency Program and towards this end EC shall:



- (1) Build a pool of linemen & electricians on a regional basis, to do emergency power restoration works in times of calamities and in normal times, do sitio & households electrification projects.
- (2) Establish a buffer stock composed of poles, insulated conductors, distribution transformers, electronic KWH meters & service wires.
- (3) Prepare distribution electric system design in conformity with the "Build Back Better" scheme.
- (4) Adopt a Regional Procurement process through the regional association to undertake the procurement of the identified buffer stock materials.
- (5) Identify cost recovery for buffer stock and mobilization.

IV. SCOPE

This Policy shall apply to all electric cooperatives.

V. DEFINITION OF TERMS

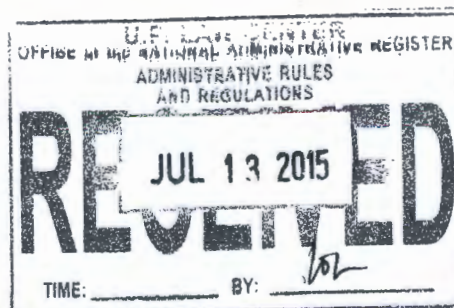
- (1) *Force majeure* – an event that is a result of elements of nature that cannot be reasonably anticipated or controlled, such as a typhoon, storm, tropical depression, flood, drought, volcanic eruption, earthquake, tidal wave or landslide.
- (2) Fortuitous event – shall refer to an act of war (declared or undeclared), sabotage, blockade, revolution, riot, insurrection, civil commotion or any violent or threatening action.
- (3) Buffer stock - supply of materials held as reserve against shortages to be utilized during emergency like typhoons and other calamities.
- (4) "Build Back Better" scheme - the reconstruction/restoration of the lines stronger than the old/damaged structure. This involves the design and construction of the lines with primary consideration on the strength of the materials and shorter spanning of the distribution line structure.
- (5) Three phase (3 Φ) - In a distribution line, it represents a backbone or primary line with three (3) or four (4) conductors depending on whether the system is delta or grounded wye.

VI. MECHANICS OF IMPLEMENTATION

The EC shall establish a buffer stock in accordance with the following:

(1) Materials and Equipment

- (1.1) The five items (pole, insulated conductor, distribution transformer, electronic KWH meter & service wire) are considered for the buffer



stock on the basis of their importance, availability and length of production time.

- (1.2) Quantity of buffer stock will be equivalent to the 2%-6%, 10% and 20% of the ECs' linear kilometer of 3 Φ distribution length of lines.
- (1.3) Costing will be based on the National Electrification Administration (NEA) Material Price Index.
- (1.4) Material specification and construction works should conform to NEA standards.
- (1.5) Insulated Conductor #4/0 ACSR and Bare conductor #2/0 ACSR, and Steel Poles equivalent to Class 3 Wood Poles are used for this purpose.

(2) Funding

The EC will establish fund for the buffer stock, mobilization and any attributable cost and expenses for the immediate restoration/rehabilitation of distribution lines/system due to *force majeure* and fortuitous events.

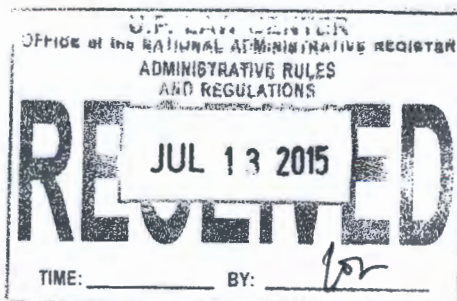
- (1) Buffer Stock - The buffer stocks and expenses for *force majeure* and fortuitous events of ECs will be submitted to ERC as part of the CAPEX Plan and/or to be sourced from RFSC (additional).
- (2) Mobilization - To put-up a sinking fund to cover mobilization for immediate deployment of personnel & vehicles in time of calamities/emergencies.

For both requirements, NEA may provide a loan to ECs to help finance acquisition of buffer stocks, and other attributable cost and expenses to be used for the immediate restoration/rehabilitation of distribution lines/system due to *force majeure* and/or fortuitous events.

(3) Cost Recovery

ECs may recover the cost of buffer stock and mobilization by undertaking the following procedure:

- (3.1) The proposal for cost recovery on buffer stock quantity level and mobilization cost shall be submitted to NEA Engineering for evaluation and review, and upon passing the process, the same shall be submitted to the Deputy Administrator for Electric Distribution Utilities Services for approval.
- (3.2) The proposal approved by the NEA shall form part of the submission by the concerned EC to the Energy Regulatory Commission (ERC).
- (3.3) Upon approval of ERC, the following should be undertaken:



- (3.3.1) The purchase of materials must be done on a Regional basis. Each EC within the region should determine its buffer requirements for pole, conductor, distribution transformer, KWH meter and service wire.
- (3.3.2) Bids and Awards Committee (BAC) from the region composed of the member ECs must be created.
- (3.3.3) The bidding of the total requirements of all ECs in the region must be centralized. It can be on a per lot/material basis. It must be published in a newspaper of national general circulation.
- (3.3.4) The Terms of Reference of equipment and materials for bidding shall be submitted to NEA for approval.
- (3.3.5) Contract will be made individually or between each EC and the supplier, thus, the awarding of the contract is on a per EC basis.
- (3.3.6) Delivery of materials will also be done by the supplier per EC.
- (3.3.7) Each EC must have a Board Resolution requesting the Regional Association to conduct the purchase of materials in their behalf before the bidding process.
- (3.3.8) Bidding procedure must be in accordance with NEA Memorandum No. 2005-030 on the Procurement Guidelines for Electric Cooperatives dated 07 October 2005.
- (3.3.9) Replenishment shall be made when 50% of material utilization had been reached.

VII. IMPLEMENTING RULES AND REGULATIONS

The Administrator shall issue such Rules and Regulations as may be necessary to implement this Policy.

VIII. EFFECTIVITY

This policy shall take effect fifteen (15) days immediately following its publication in a newspaper of general circulation and the filing of three (3) copies with the University of the Philippines (UP) Law Center pursuant to the Presidential Memorandum Circular No. 11, dated 09 October 1992.

Edita S. Bueno
EDITA S. BUENO
 Administrator



el
 7/8/15

