



January 25, 2018

MEMORANDUM No. 2018-005

TO : ALL ELECTRIC COOPERATIVES (ECs)

SUBJECT : ENHANCED EC OVERALL PERFORMANCE ASSESSMENT CRITERIA

I. RATIONALE

Section 58 of RA 9136 otherwise known as the Electric Power Industry Reform Act (EPIRA) of 2001 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.

On the other hand, RA 10531 mandated NEA to:

1. Promote the sustainable development in the rural areas through rural electrification;
2. Pursue electrification program and bring electricity through the ECs to the countryside even in missionary or economically unviable areas; and
3. Empower ECs to cope with the changes brought about by the restructuring of the electric power industry.

Pursuant to the said mandates and to address the heightened demands for power rate reduction, reliability of service, good governance, and member-consumer-owners' empowerment, it is imperative to formulate an enhanced EC Overall Performance Assessment Criteria.

II. OBJECTIVES

1. To establish enhanced overall performance assessment criteria to measure the ECs' financial, institutional, and technical performance, thus determining credit worthiness, level of development, protection, empowerment, and satisfaction of member-consumer-owners (MCOs);
2. To serve as basis for crafting performance incentive mechanisms for EC officials and employees; and
3. To promote accountability and responsibility in its compliances and fiduciary obligations.

III. POLICY

It shall be the policy of NEA to implement a set of performance parameters for ECs that will serve as basis in the assessment of the EC Overall Annual Performance.

IV. SCOPE

The performance parameters shall cover all 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.

V. ASSESSMENT CRITERIA

FINANCIAL PARAMETERS (32%)

Performance Indicators	Performance Level	Weight
1. Leverage		<u>4</u>
a. Debt Service Coverage Ratio	At least 1.20	2
b. Debt Ratio	Up to 0.60	2
2. Liquidity Ratio		
Quick Ratio	At least 1.00	<u>3</u>
3. Efficiency		<u>15</u>
a. Payment to Power Suppliers/ Transmission (Main Grid)/Sub- Transmission (Consortium)	Current	6
b. Payment to NEA	Current	2.5
c. Payment to Banks and Other Financing Institutions	Current	2.5
d. Collection Efficiency	Not less than 97%	4
4. Result of Financial Operation (Net Margin After RFSC)	Positive	<u>5</u>
5. NEA Audit Rating	Not less than 90%	<u>5</u>

A. DEFINITION OF TERMS, FORMULA AND SCORING SYSTEM

1. Leverage

- a. **Debt Service Coverage Ratio** measures the EC's ability to service its current debts.

$$\text{Debt Service Cover} = \frac{\text{Operating Margin} + \text{Reinvestment Fund for Sustainable CAPEX}}{\text{Amortization Due (Principal + Interest) for the Year}^*}$$

- * Includes Long Term Loans/Restructured Long Term Loans from NEA, Banks, and other Financial Institutions, and Restructured Accounts Payable from Power Suppliers and Others

Debt Service Coverage Ratio	Point Score
1.20 and above	2
1.00 to 1.19	1
0.99 and below	0

b. **Debt Ratio** measures the level of indebtedness or financial leverage of the EC. It is used to measure the proportion of total assets that are financed by creditors.

$$\text{Debt Ratio} = \frac{\text{Total Liabilities}^*}{\text{Total Assets}}$$

* Excluding Accounts Payable - Subsidy

Debt Ratio	Point Score
0.60 and below	2
0.61 to 0.70	1
0.71 and above	0

2. Liquidity Ratio

Quick Ratio measures the EC's ability to meet its short term obligations as they become due.

$$\text{Quick Ratio} = \frac{\text{Working Capital Funds}^* + \text{Consumers Accounts Receivables, Net}^{**}}{\text{Current Liabilities}^{***}}$$

* Including Cash and Cash Equivalent, Investment in Associate Organization, Security Deposits, Power Bill Deposits, Retirement Fund, Share Capital (for ECs registered as stock cooperatives)

** Inclusive of VAT, UC, FIT All, and RFSC (Net of Allowance for Doubtful Accounts)

*** Excluding Accounts Payable - Subsidy

Allowance for doubtful accounts and accounts to be written-off shall not exceed 5% of the Accounts Receivables based on NEA Memorandum dated June 10, 2016.

Quick Ratio	Point Score
1.00 and above	3
0.90 to 0.99	2
0.80 to 0.89	1
0.79 and below	0

Demerit Points

Unliquidated Subsidy Funds

As a measure to facilitate liquidation of subsidy funds as required in the Memorandum of Agreement (MOA) between NEA and the EC, demerit points shall be given to ECs with unliquidated subsidy funds (excluding new releases, on-going projects that do not exceed the implementation schedule and completed projects for Final Inspection and Acceptance).

Status	Demerit Point
a. Unliquidated subsidy funds for two (2) years and above	1.00
b. Unliquidated total amount (Php)	
100M and above	2.00
60M to 99M	1.50
20M to 59M	1.00
Below 20M	0.50

3. Efficiency

- a. **Payment to Power Suppliers/Transmission (Main Grid)/Sub-Transmission (Consortium)** refers to the EC's ability to pay its Power Accounts to GENCO/s, NGCP, Sub-Transmission and PEMC, including EVAT.

On Grid ECs:

Status of Payment	GENCO/s	NGCP	Sub-Transmission	Point Score
Current/Restructured-Current	2.5	2.5	1	6
Arrears	0	0	0	0

Off Grid ECs:

Status of Payment	Point Score
Current/Restructured-Current	6
Arrears	0

- b. **Payment to NEA** refers to the EC's ability to pay its maturing loans to NEA.

Payment to NEA	Point Score
Current/Restructured-Current	2.5
Arrears	0

- c. **Payment to Banks and Other Financing Institutions** refers to the EC's ability to pay its maturing loans to Banks and other Financing Institutions.

Payment to Banks and Other Financing Institutions	Point Score
Current/Restructured-Current	2.5
Arrears	0

- d. **Collection Efficiency** refers to the capability of EC to collect Consumer Accounts Receivables.

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

Gross Consumer Accounts Receivable Beginning, Gross Sales, Gross Current Month Sales and Collection for the Year are inclusive of VAT, UC, FIT All, and RFSC.

Collection Efficiency (%)	Point Score
97 and above	4
96	3
95	2
94	1
93 and below	0

4. **Result of Financial Operation** refers to the amount of revenue left after deducting all costs and expenses.

Result of Operation (Net Margin after RFSC)	Point Score
Positive	5
Negative	0

5. **NEA Audit Rating** refers to the EC's final score on itemized audit findings by the NEA-Electric Cooperative Audit Department (ECAD).

NEA Audit Rating (%)	Point Score
90 and above	5
80 to 89	4
70 to 79	3
60 to 69	2
50 to 59	1
49 and below	0

B. GENERAL REQUIREMENTS

The assessment of financial parameters shall be based on the following:

1. Monthly Financial and Statistical Reports submitted through the NEA-BIT
2. Status of NEA Loan Repayments
3. Status of Power Accounts with GENCO/s, NGCP, Sub-Transmission Consortium (if any), NPC-SPUG, and PEMC

INSTITUTIONAL-GOVERNANCE PARAMETERS (38%)

Performance Indicators	Performance Level			Weight
I. Human Resource: Leadership & Management				<u>10</u>
1. Good Governance				
a. Performance Rating of BOD	Very Satisfactory			5
b. Performance Rating of GM	Very Satisfactory			4
2. Capacity Building	At least two (2) relevant trainings per employee per year			1
II. Stakeholders				<u>28</u>
1. Customer Service	Compliant to seven (7) parameters			7
2. Members' Participation/Involvement				
a. AGMA	2018	2019	2020 onwards	3
	5% of total billed consumers	7.5% of total billed consumers	10% of total billed consumers	
b. District Election	<ul style="list-style-type: none"> • 25% of bona fide member-consumers (average of all district elections conducted within the year) • With NEA Approved Deferment • Failure of Election 			3
c. Active & Transparent Information and Interaction with Consumer Representatives at District or Barangay Levels	At least three (3) EC activities participated in by consumer representatives			3
3. Formation of Member-Consumer-Owners Organization	Provincial/Franchise Wide down to the City/Municipality/Barangay Levels			3
4. Action on Consumer Complaints/Requests	Compliant			2
5. Sanitation of EC Masterlist	Compliant			2
6. Customer Satisfaction Survey	Very Satisfactory			5

A. DEFINITION OF TERMS AND SCORING SYSTEM

I. HUMAN RESOURCE: Leadership and Management

1. Good Governance measures performance and capability anchored on actual duties and responsibilities based on mandate under relevant laws.

a. Performance Rating of Board of Directors (BOD)

The BODs' performance rating shall be determined using the following:

EC Board of Directors Performance Evaluation			
Parameters	Performance Level	Required Document/s	Rating
I. Attendance/Performance of Mandatory Activities			
1. BOD Meetings	80% of the total no. of Board meetings conducted within the year should be with proper quorum	Summary of Board meetings conducted duly certified under oath by the Board Secretary	10
2. Annual General Membership Assembly (AGMA)	All members of the Board must have attended the AGMA	Certification of AGMA attendance certified under oath by the ISD Manager, validated by the Internal Auditor and confirmed by the Board Secretary	10
3. Trainings/Seminars	Attendance to mandatory trainings: CMC 1, 2 (Good Governance) & 3; EPIRA 101; and Power Supply Contracting	List of trainings/seminars attended duly certified under oath by the HR Manager/copy of Certificate of Attendance	10
4. IEC Activities Conducted	Conducted at least 1 IEC activity per district within the year to be reported during the BOD meeting	Certification from the Board Secretary	10
II. BOD Decisions Formalized through Board Resolutions	80% of Board Resolutions/policies should be geared towards the improvement of EC operation	List of Board Resolutions passed within the year certified under oath by the Board Secretary	10
III. Board's Strategic Initiatives	At least 2 New Programs/Projects/Innovation	List of Programs/Projects/Innovations certified under oath by the Board Secretary	10
IV. No Penalties Imposed by NEA Board	No member of the Board had been sanctioned by the NEA Board of Administrators (ADCOM, NEA Bulletin No. 35)	Report from NEA Corporate Secretary	20

EC Board of Directors Performance Evaluation			
Parameters	Performance Level	Required Document/s	Rating
V. Leadership Functions	United Board, Management and Employees	No pending labor cases or conflicts as certified under oath by the HR Manager and Board Secretary	10
VI. Self/Peer/Subordinate Rating	All members of the Board must have attained a Very Satisfactory Rating	Performance review survey questionnaire	10
Total			100

Rating	Point Score	Adjectival Rating
100 - 90	5	Very Satisfactory
89 - 80	4	Satisfactory
79 - 70	3	
69 - 60	2	Fair
59 and below	1	Poor

b. Performance Rating of General Manager

The performance rating of the General Manager shall be determined through the EC Board of Directors, Department Managers/Area Managers and Self-Rating Scheme using the following weights:

Key Components	Weight
1. BOD Rating	35%
2. Department Managers/Area Managers Rating	35%
3. Self-Rating	30%
Total	100%

The GM's Performance Level shall be determined using the following scheme:

Rating	Point Score	Adjectival Rating
100 - 90	4	Very Satisfactory
89 - 80	3	Satisfactory
79 - 70	2	Fair
69 and below	1	Poor

2. Capacity Building (At Least 2 Trainings per Employee per Year)

This refers to employee participation to either in-house or external training programs related to the job supported by Certificate of Attendance/Participation and duly certified by the HRD Manager.

Status	Point Score
Compliant	1
Non-Compliant	0

II. STAKEHOLDERS

1. Customer Service Parameters measure the EC's timely delivery of basic services to its customers.

Parameters	Performance Level	Point Score
1. Processing/Approval of applications for service connection (with complete requirements)	Within one (1) day upon receipt of application	1
2. Service-drop connection	Within two (2) days upon payment of fees	1
3. Restoration of service after line fault on the secondary side, including service drop/lateral	Within four (4) hours upon on-site arrival	1
4. Response time on consumer complaints (billing, payment and meter complaints)	Within twenty-four (24) hours after receipt of complaints	1
5. Timeframe in informing customers on scheduled power interruptions	At least three (3) days before scheduled interruptions	1
6. Response time to emergency calls	Within thirty (30) minutes after receipt of call	1
7. Response time to reconnection of service due to disconnection	Within twenty-four (24) hours after settlement of amount due/compromise agreement	1

2. Members' Participation aims to intensify involvement and maximize participation of the MCOs in the EC annual affair and district election.

a. Annual General Membership Assembly (AGMA) Attendance

a.1 Major Criteria

Attendance			Point Score
2018	2019	2020*	
5%	7.5%	10%	3
Below 5%	Below 7.5%	Below 10%	0

* 2.5% increase every year onwards

a.2 Incentive Points

One (1) incentive point will be given for every 2.5% higher than the required AGMA attendees for the period under review **but not to exceed two (2) points.**

Attendance			Point Score
2018	2019	2020*	
10% and above	12.5% and above	15% and above	2
7.5% - 9.9%	10% - 12.4%	12.5%- 14.9%	1

* 2.5% increase every year onwards

b. District Election Voters Turn-Out

b.1 Major Criteria

Voters Turn-Out	Point Score
25% of total bona fide member-consumers (average of all district elections conducted within the year) With NEA Approved Deferment Failure of Election	3
Unopposed candidate	1
Below 25%	0

b.2 Incentive Points

One (1) incentive point will be given for every 10% higher than the required 25% baseline in voters' turn-out **but not to exceed two (2) points.**

Voters Turn-Out	Incentive Points
2018 onwards	
45% and above	2
35%- 44.9%	1

c. Active & Transparent Information and Interaction with Consumer Representatives at District or Barangay Levels

This refers to the participation of member-consumer-owners representatives on district or barangay levels on various EC affairs such as approval of EC's CAPEX by the General Assembly, public hearing regarding Power Rate application, identification/development of Livelihood Program for the marginalized member-consumes, assistance in securing right-of-way and grant of permits/clearances of SEP/BLEP beneficiaries from LGUs, campaign for improvement of collection and/or non-pilferage of electricity, membership information, education and communication program, representative of member-consumer-owners in CBA/CNA negotiations, and other service-oriented activities.

EC Activities	Point Score
At least 3 activities participated in	3
2 activities participated in	2
1 activity participated in	1
Non-compliant	0

3. Formation of Member-Consumer-Owners Organization

This refers to the efforts and initiatives of the EC to organize and empower member-consumer-owners into a strong community-based organization such as MSEAC, MCO, BAPA for wider involvement and participation in the affairs of the electric cooperative towards sustainable rural electrification program.

Organized MCOs	Point Score
Provincial and/or Franchise Wide	1
City and/or Municipal Chapter	1
Barangay Level Chapter	1
Total	3

4. Action on Consumer Complaints/Requests

This refers to the number of complaints/requests received and acted upon by the EC to validate EC's performance in providing efficient service towards attaining customer satisfaction.

Action on Complaints/Requests	Point Score
Compliant	2
Non-Compliant	0

5. Sanitation of EC Masterlist

This refers to the masterlist of member-consumers as approved by the EC Board of Directors through a Board Resolution and certified by the Board Secretary duly validated by the Internal Auditor.

Sanitized Masterlist	Point Score
Compliant	2
Non-Compliant	0

6. Customer Satisfaction Survey

This refers to the survey conducted within the EC coverage area the level of customer satisfaction on its delivery of service to member-consumers-owners.

Customer Satisfaction Survey	Point Score
Very Satisfactory	5
Satisfactory	3
Fair	1
Poor	0

B. GENERAL REQUIREMENTS

The assessment of the institutional parameters shall be based on the following:

1. Reports on AGMA, District Election, Capacity Building, Consumer Groups Participation on EC Affairs, Customer Service Parameters, and Action on Consumer Complaints submitted through the NEA-BIT
2. Performance Evaluation Results for BODs and GMs
3. Reports on the Formation of MSEAC and MCO/s
4. Sanitized Masterlist of EC Member-Consumers
5. Customer Satisfaction Survey Result

TECHNICAL PARAMETERS (27%)

Performance Indicators	Performance Level	Weight
1. Power Reliability		<u>12</u>
a. System Average Interruption Frequency Index (SAIFI)	Below 10 Interruptions-Consumer-Year (Unplanned Interruptions)	6
b. System Average Interruption Duration Index (SAIDI)	Below 1,000 Minutes-Year (Unplanned Interruptions)	6
2. System Loss	Single Digit System Loss	<u>15</u>

A. DEFINITION OF TERMS, FORMULA, AND SCORING SYSTEM

1. **Power Reliability** is the ability to meet the electricity needs of end-user customers.

a. System Average Interruption Frequency Index (SAIFI)

$$\text{SAIFI} = \frac{\text{Total No. of Sustained Customer Power Interruptions within a Given Period}}{\text{Total No. of Customers Served within the Same Period}}$$

System Average Interruption Frequency Index (SAIFI) (No. of Interruptions Per Consumer Per Year)	Point Score
On & Off Grid: Below 10	6.0
On & Off Grid: 10 to 14.99	5.5
On & Off Grid: 15 to 19.99	5.0
On Grid: 20 to 25; Off Grid: 20 to 30	4.5
On Grid: Above 25; Off Grid: Above 30	0.0

b. System Average Interruption Duration Index (SAIDI)

$$\text{SAIDI} = \frac{\text{Total Duration of Sustained Customer Power Interruptions within a Given Period}}{\text{Total No. of Customers Served within the Same Period}}$$

System Average Interruption Duration Index (SAIDI) (No. of Minutes of Interruptions Per Year)	Point Score
On & Off Grid: Below 1,000	6.0
On & Off Grid: 1,000 to 1,999	5.5
On & Off Grid: 2,000 to 2,399	5.0
On Grid: 2,400 to 2,700; Off Grid: 2,400 to 3,375	4.5
On Grid: Above 2,700; Off Grid: Above 3,375	0.0

2. **System Loss** is the difference between energy input and energy output.

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

Where:

Input Energy is the purchased energy measured at the Billing Determinant Energy (BDE) and generated energy measured at the connection point excluding the transmission loss and Site Specific Loss Adjustment (SSLA).

Output Energy is the energy sold, recovered and actual Coop consumption (metered)

a.1 Major Criteria

System Loss (%)	Point Score
Below 10.00	15
10.00 - 11.00	14
11.01 - 12.00	13
12.01 - 13.00	12
Above 13.00	0

a.2 Incentive Points

One (1) incentive point for every 1% reduction in System Loss from 9.99% **but not to exceed two (2) points.**

3. Other Incentive

One (1) incentive point shall be given to ECs for every innovative advance technology implemented to ensure power reliability and efficiency such as Supervisory Control and Data Acquisition (SCADA), embedded generation, underground cabling, automated meter reading, prepaid metering, and disaster preparedness through the development and submission of Vulnerability Risk Assessment (VRA) and Emergency Restoration Planning (ERP), **but not to exceed two (2) points.** This incentive shall be given on a one-time basis only.

B. GENERAL REQUIREMENTS

The assessment of the technical parameters shall be based on the following reports/documents submitted through the NEA-BIT:

1. Monthly Engineering Report for Power Reliability
2. Monthly Financial and Statistical Reports for System Loss

OTHER PARAMETER (3%)

Level of Consumer Connection shall be based on the reports/documents (Status of Energization) submitted through the NEA-BIT.

Level of Consumer Connection (%)	Point Score
90 and above	3
60 - 89	2
Below 60	1

VI. OVERALL PERFORMANCE RATING SCHEME

Performance Rating		Point Score
AAA	Highest	95 - 100
AA	High	90 - 94
A	Good	85 - 89
B	Average	75 - 84
C	Low	50 - 74
D	Poor	49 and below

VII. OTHER CONDITIONS


1. The ECs shall attain a Positive Result of Financial Operation, otherwise, the final result of overall performance assessment shall not be higher than "A - Good".
2. Incentive points shall be given based on the guidelines provided that the EC Overall Point Score shall not exceed 100%.

VIII. RESPONSIBILITY

1. The Committee on EC Overall Performance Assessment shall process, review and validate reports submitted by the ECs, and prepare a consolidated report.
2. The official release of the EC Overall Performance Assessment shall take effect only after the approval of the NEA Administrator.

IX. EFFECTIVITY

These guidelines shall be used in the evaluation of the EC Overall Annual Performance starting Calendar Year 2018.


EDGARDO R. MASONGSONG
Administrator



- Approved by the NEA Board of Administrators during its meeting on January 17, 2018 per Board Resolution No. 2
- Published in the UP Law Center on January 25, 2018