



15 August 2018

**MEMORANDUM No. 2018-056**

**To: All Electric Cooperatives**

**SUBJECT: Directives to NEA to Undertake All Necessary Measures  
Towards the Electrification of Underserved and Unserved Areas**

For your information and compliance, may we provide you copies of the following:

1. Memorandum dated 27 July 2018 of Department of Energy (DOE) Secretary Alfonso G. Cusi to NEA Administrator Edgardo R. Masongsong directing NEA to undertake the following:
  - i. conduct an immediate review and undertake necessary amendments on NEA's policy, criteria and guidelines for the classification and ratings of electric cooperatives;
  - ii. conduct an audit and submit to the DOE a report on the status of electric cooperatives in relation to their compliance with their electrification mandate vis-à-vis underserved and unserved households;
  - iii. conduct an updated audit and submit to the DOE a report on the outstanding uncollected billings of electric cooperative to all local government units, as reported to the Department of Budget and Management (DBM) for collection;
  - iv. study the possibility of weaning off the NEA from the obligation of granting of financial assistance and loans to electric cooperative and instead transfer this function to other government financial institutions such as Land Bank of the Philippines (LBP), the Development Bank of the Philippines (DBP), etc.;

- v. issue guidelines, if none yet, or a Memorandum to remind ECs and association of ECs to observe austerity measures and to observe the mandate to exercise judicious, frugal and prudent use of EC funds and to continue to ensure that no irregular, unnecessary, extravagant, excessive and unconscionable expenses shall be incurred by the ECs and instead direct resources to the improvement of quality and reliability its of service and expansion of scope of services to underserved and unserved areas.

2. Memorandum-reply dated 10 August 2018 of NEA Administrator Edgardo R. Masongsong to DOE Secretary Alfonso G. Cusi.

Please be guided accordingly.

  
**EDGARDO R. MASONGSONG**  
Administrator

NATIONAL ELECTRIFICATION  
ADMINISTRATION  
Office of the Administrator



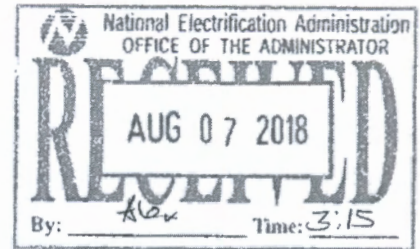
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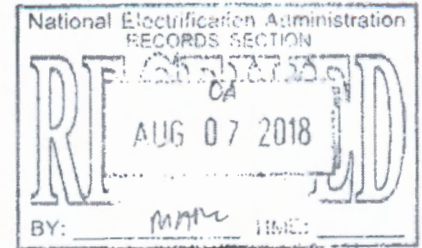


**MEMORANDUM FROM THE SECRETARY**

To : **EDGARDO R. MASONGSONG**  
*Administrator*  
National Electrification Administration (NEA)

Date : **27 July 2018, Friday**

Subject: **Directives to NEA to Undertake All Necessary Measures towards the Electrification of Underserved and Unserved Areas**



Pursuant to the discussions in our meeting of 24 July 2018, relative to the Total Electrification Program of the government, your office is hereby directed to immediately comply and undertake the following directives and mandates:

- 1- **Conduct an immediate review and undertake the necessary amendments on NEA's policy, criteria and guidelines for the classification and ratings of electric cooperatives to make them:**
  - a. *More responsive to current energy policies;*
  - b. *Reflective of the actual accomplishments, real financial status and continuing viability;*
  - c. *More responsive to the needs of its constituents: as to the quality, reliability, sustainability and affordability of its services; and*
  - d. *Demonstrate EC's effective and successful performance of its legal mandates, and its gainful contributions to the power sector and energy industry, under applicable laws and faithful compliance observance of regulations.*

Among those that were identified to be revisited is the inclusion of the total electrification mandate of EC's as a major consideration in its classification or rating.

This measure is envisioned to encourage and motivate ECs to include electrification of underserved and unserved areas in their list of priorities before they can avail of incentives under Memo No. 2015-007.

Currently, compliance by electric cooperatives with their legal mandate and role in the achievement of total electrification under EPIRA Law and PD 269, as amended by RA 10531 is NOT a factor in the determination and award of classifications to electric cooperatives to avail of incentives/benefits.

Specific reference is made, but not limited to the following:

- **Memorandum No. 2011-020 (dated 31 August 2011)** "Key Performance Standards (KPS) for ECs"
- **Memorandum No. 2014-001 (dated 14 January 2014)** "Guidelines for Classifications of ECs and Provision for NEA Intervention"





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**DEPARTMENT OF ENERGY**

- 2- Conduct an audit and submit to the DOE a report on the status of electric cooperatives in relation to their compliance with their electrification mandate vis-à-vis underserved and unserved households.**

If such data is available, to furnish the DOE the comprehensive results of such audit. Require ECs who have failed, ignored and/or neglected their electrification mandate to explain, and also furnish the DOE of such justification and NEA's recommendations moving forward.

- 3- Conduct an updated audit and submit to the DOE a report on the outstanding uncollected billings of electric cooperatives to all local government units, as reported to the Department of Budget and Management (DBM) for collection.**

- a. Study the possibility of requesting assistance from the Department of Interior and Local Government (DILG) in facilitating collections on the outstanding accounts.
- b. Look into entering into an inter-agency tripartite agreement for a cooperation necessary to achieve the successful settlement of accounts.
- c. Draft of a Memorandum of Understanding to detail the terms of such cooperation and coordination between and among, NEA-DBM-DILG on this matter.

- 4- Study the possibility of weaning off the NEA from the obligation of granting of financial assistance and loans to Electric Cooperative and instead transfer this function to other government financial institutions such as Land Bank of the Philippines (LBP), the Development Bank of the Philippines (DBP), etc.**

- 5- Issue guidelines, if none yet, or a Memorandum to remind ECs and association of ECs to observe austerity measures and to observe the mandate to exercise judicious, frugal and prudent use of EC funds and to continue to ensure that no irregular, unnecessary, extravagant, excessive and unconscionable expenses shall be incurred by the ECs and *instead direct resources to the improvement of quality and reliability its of service and expansion of scope of services to underserved and unserved areas.***

ECs, their management and officers, should be reminded and guided properly of the Government policy that while they are expected to recoup investments and maintain financial viability, that the services they provides is inherently imbued with a public interest to its member consumers whose interest must be above the interests of a few.

For immediate and strict compliance.

  
**ALFONSO G. CUSI**  
Secretary



cc: Members of the Board, NEA  
USec. Felic William B. Fuentabella, DOE  
ASec. Redentor E. Delola, DOE





10 August 2018

## MEMORANDUM

**FOR : SECRETARY ALFONSO G. CUSI**  
Department of Energy

**SUBJECT: Directives to NEA to Undertake All Necessary Measures Towards  
the Electrification of Underserved and Unserved Areas**

In compliance with your memorandum dated 27 July 2018 which we received on 7 August 2018 on the above subject, may we inform you of the actions taken and to be taken by NEA in connection therewith, as follows:

**1. Conduct of an immediate review and undertake the necessary amendments on NEA's policy, criteria and guidelines for the classification and ratings of electric cooperatives.**

NEA has formulated certain amendments to the key performance standards (KPS) and EC Classification to comply with the new system loss caps prescribed by ERC and streamline the institutional, financial and technical parameters to conform with energy thrusts and policies. Nevertheless, we will consider further enhancing the parameters and standards to reflect the ECs' legal mandate, actual operational and financial accomplishments and levels of service to the member-consumers.

The enhanced KPS will be applied for 2018 EC performances and we expect that there will be changes in the categorization of ECs. To further enhance the enhanced KPS which will now include ELECTRIFICATION as a CRITERION will give rise to the possibility of either no evaluation or assessment to be conducted in 2018.

The NEA Board of Administrators, under Board Resolution No. 2 dated January 17, 2018 approved the Enhanced EC Overall Performance Assessment Criteria which was issued to all electric cooperatives in Memorandum No. 2018-005 dated January 25, 2018. Copies of the NEA Board Resolution and NEA Memorandum are hereto attached as Annexes "A" and "B" respectively.

The NEA Board of Administrators, under Board Resolution No. 46 dated March 16, 2018 approved the revisions on The Enhanced EC Overall Performance Assessment Criteria and EC Classification which was issued to all electric cooperatives in Memorandum No. 2018-014 dated March 16, 2018. Copies of the

NEA Board Resolution and NEA Memorandum are attached hereto as Annex "C" and "D" respectively.

**2. Conduct of an audit and submit to DOE a report on the status of ECs in relation to their compliance with their electrification mandate vis-à-vis underserved and unserved households.**

Presently, NEA is consolidating its database on underserved and unserved areas within the respective franchise area of the ECs.

In order for NEA to conduct an audit on the ECs' performance on serving potential households, it needs to establish audit objectives, criteria and evidence.

Hence, performance audit can only be conducted once the audit requirements are in place. Towards this end, NEA shall

- a. establish audit objectives and identify suitable criteria for assessment of ECs' performance in the areas comprising the underserved and unserved households.
- b. gather evidence necessary to determine ECs' performance against the established criteria.
- c. render a conclusion against established objectives.
- d. submit recommendation to NEA and DOE, when appropriate, to deal with significant variances between the criteria and performance.

The following are the proposed timelines:

**October 2018** – completion of consolidated baseline data on underserved and unserved households;

**November 2018** – establishment of audit objectives, criteria and plan;

**December 2018** – conduct of EC performance audit of underserved and unserved households.

**January 2019** – preparation of audit reports

**February 2019** – submission of audit report to DOE



**3. Conduct an updated audit and submit to the DOE a report on the outstanding uncollected billings of electric cooperatives (ECs) relation to all local government units, as reported to the Department of Budget and Management (DBM) for collection.**

Upon the implementation of the Electric Power Industry Reform Act of 2001 (RA 9136), NEA required the ECs to submit outstanding uncollected billings to any local government unit which the NEA will, in turn, report to the Department of Budget and Management (DBM) for collection from the Internal Revenue Allotment (IRA) of LGUs, pursuant to Section 30, Paragraph 7 of the EPIRA and Executive Order No. 190 issued on December 21, 1999. This effort also covered the submission of delinquent accounts of military installations.

The following letters, memoranda and schedules of ECs' Receivables from local government units, military detachments and other government offices showed NEA's serious attempts to assist the ECs in the collection of overdue accounts, to wit:

1. Letters to DBM Secretary Emilio T. Boncodin dated September 27, 2004 and October 07, 2005.
2. Memorandum to All ECs dated 29 September 2008 on Unpaid Electric Bills of the Philippine Army (PA) with the Electric Cooperatives (ECs).
3. Schedule of ECs' Receivables from Local Government Units, Military Detachment and Other Government Offices.

It was unfortunate that NEA received a letter dated April 5, 2005 from Dir. Gil P. Montalbo of DBM informing the NEA that DBM had issued Circular Letter No. 2002-11 dated May 17, 2002 clarifying the non-implementation of Executive Order No 190. Executive Order No. 9 dated 29 March 2001 which was also issued revoking, among others, the provisions of E.O. 190 pertaining to the direct holdback of certain portion of the IRA for specific purposes. In effect, Section 30 of the EPIRA on the assistance of DBM to collect outstanding uncollected bills of ECs to any LGU can no longer be implemented.

NEA issued a memorandum dated April 26, 2005 to all ECs to explain in detail the latest information from DBM, and to enjoin the ECs to adopt other strategies and means to collect directly from the LGUs.

**4. Study the possibility of weaning off the NEA from the obligation of granting of financial assistance and loans to ECs and instead transfer this function to other government financial institutions such as Land Bank of the Philippines (LBP) and Development Bank of the Philippines (DBP).**

It must be noted that NEA is mandated by law to grant loans to ECs. Among its powers, functions and privileges under Section 5 of RA 10531 include the following:

- a) provide institutional, financial and technical assistance to ECS;
- b) grant loans to the ECs for the construction or acquisition, operation and maintenance of subtransmission and distribution facilities and all related properties, equipment, machinery, fixtures and materials and other purposes.

Considering the fast processing by NEA, the loans and credit facilities granted or extended by NEA provided immediate relief to many ECs as compared to the tedious evaluation and long processing of the banks and government financial institutions.

Be that as it may, many ECs were able to obtain loans or credit accommodations from LBP, DBP and commercial banks.

Presently, NEA is preparing a proposed bill for the conversion of NEA from GOCC to an authority wherein its lending functions will be assumed by a wholly owned subsidiary.

**5. Issue guidelines, if none yet, or a Memorandum to remind ECs and association of ECs to observe austerity measures and to observe the mandate to exercise judicious, frugal and prudent use of EC funds and to continue to ensure that no irregular, unnecessary, extravagant, excessive and unconscionable expenses shall be incurred by the ECs and instead direct resources to the improvement of quality and reliability its of service and expansion of scope of services to underserved and unserved areas.**

It must be noted that NEA is not remiss in advising the ECs to observe prudence in the disbursements of ECs funds as can be gleaned from the following measures:



1. On 21 February 2011, NEA issued Financial Advisory No. 1 addressed to all ECs regarding fiscal prudence and accountability in EC operation. In the said advisory, NEA commended the Board of Directors, Management and Staff of ECs who observed and practiced fiscal discipline in their operations. Further, the ECs were reminded of the impact of the strict implementation of DOE Circular No. DC 2010-05-006, "Terminating the Default Wholesale Supplier Arrangement for the Philippine Wholesale Electricity Spot Market (WESM) and Declaring a Disconnection Policy" to member consumers and stakeholders.

The said memorandum provided the following measures on the utilization of EC funds, as follows:

- i. Prioritization of payment of power accounts over other operating and capital expenditures;
- ii. Strict compliance to ERC rules on the Function and Utilization of Member's Contribution for Capital Expenditures (now Reinvestment Fund for Sustainable CAPEX) and
- iii. Adherence to the approved Cash Operating Budget which expressly provides that all disbursements should be subject to availability of funds and the attainment of set parameters and targets.

2. On December 15, 2016, an advisory for all ECs was issued on the observance of cost reduction/austerity measures. This advisory directed the ECs to:

- i. Implement an effective financial plan to ensure that adequate funds are available for regular expenses and other requirements to benefit its member-consumers.
- ii. Optimize spending and reserve funds for more profitable projects and review current policies, especially on procurement and travel.
- iii. Disallow lakbay-aral and holdings of national meetings, conferences and conventions in venues other than that within the proximity of the coverage areas, as well as purchases of expensive materials, equipment and facilities.

3. On 27 November 2017, NEA issued Institutional Advisory No. 29, Series of 2017 addressed to all ECs regarding Attendance to the 2018 National Rural Electric Cooperative Association (NRECA) Annual Meeting on 25 February to 01 March 2018 in Nashville, Tennessee, U.S.A. It provided specific guidelines to be observed by EC officials to ensure the prudent and sound use of EC funds. Other advisories of this nature had been issued by NEA for many years to set limits for participating ECs and avoid over-expenditures of attendees.

Thank you.

  
**EDGARDO R. MASONGSONG**  
Administrator

NATIONAL ELECTRIFICATION  
ADMINISTRATION  
Office of the Administrator



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**Responsibility**

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

**Effectivity**

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

Upon motion duly made and seconded, the Board of Administrators approved and passed the following resolution:

**RESOLUTION NO. 2**

WHEREAS, the Board Governance, Nomination and Remuneration Committee (BGNRC) in its Memorandum to the Board of Administrators dated January 16, 2018, is requesting for the approval of the Proposed Enhanced EC Overall Performance Assessment Criteria;

WHEREAS, Engr. Francisco A. Caymo, Department Manager, Office of Performance Assessment and Special Studies presented the report;

*[Handwritten signature]*



WHEREAS, the Rationale provides:

(1) Section 58 of RA 9136 otherwise known as the Electric Power Industry Reform Act (EPIRA) of 2001 mandated NEA to:

- (1.a) Prepare the ECs in operating and competing under the deregulated electricity market;
- (1.b) Strengthen the technical capability and financial viability of rural ECs; and
- (1.c) Review and upgrade regulatory policies with a view to enhancing the viability of rural ECs as electric utilities.

(2) RA 10531 mandated NEA to:

- (1.a) promote the sustainable development in the rural areas through rural electrification;
- (1.b) pursue electrification program and bring electricity through the ECs to the countryside even in missionary or economically unviable areas; and
- (1.c) empower ECs to cope with the changes brought about by the restructuring of the electric power industry;







islands and are not connected with the said grid;

WHEREAS, the Results of Consultations Conducted are laid down below:

**Financial**

- (1) Increase the allocation of points to Financial Parameters;
- (2) Reinvestment Fund should be considered as part of revenue in the evaluation of the EC's Result of Financial Operation; and
- (3) ECs operating at a loss should not be rated higher than "A".

**Institutional**

- (1) The parameters to be used in the evaluation of the Performance of the BODs and GMs should be clearly defined; NEA is the best to rate the Performance of EC BODs and GMs;
- (2) The trainings should be relevant to the functions of the employees; the required 2 trainings per employee per year is costly;
- (3) Retirement Funds availability should be retained;
- (4) The required increase in Members' Participation/Involvement during AGMA and District Election from 5% to 20% is too high, costly, and difficult to attain; gradual increase

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in attendance and granting of incentives for those exceeding the required number of attendees are proposed;

- (5) Consider the EC CSR Programs and Activities as part of the Income Generating Projects; specify the intended beneficiaries; the required 20 beneficiaries is too high which will incur additional expenses; and
- (6) Exclude Customer Satisfaction Survey since the ECs are vulnerable to criticisms and complaints especially due to strict implementation of Collection and Disconnection Policies.

**Technical**

- (1) Wait for the issuance of ERC's "Rules for Setting the Distribution System Loss Cap and Establishing Performance Incentive Scheme for Distribution Efficiency";
- (2) Consider Option 2 (Single Digit System Loss be given the maximum allocated point score) to raise the level of EC performance; and
- (3) Increase the allocation of points to Technical Parameters;

WHEREAS the Other Conditions are as follows:

- (1) ECs shall attain a Positive Result of Financial Operation, otherwise, the final result of overall performance

Enclosure 10/11/2018

assessment shall not be higher than  
"A - Good"; and

- (2) Incentive points shall be given based on the guidelines provided that the EC Overall Point Score shall not exceed 100%;

WHEREAS, on the Responsibilities:

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

WHEREAS, these guidelines shall be used in the evaluation of the EC Overall Annual Performance starting Calendar Year 2018;

WHEREAS, after deliberation, the Board agreed to approve the request;

NOW, THEREFORE, BE IT RESOLVED, AS IT IS HEREBY RESOLVED, based on the foregoing and pursuant to authority of the Board under Presidential Decree No. 269 as amended by Republic Act No. 10531, to approve, as it is hereby approved, the Proposed Enhanced EC Overall Performance Assessment Criteria.

*Bob*  
Secretary to the Board





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
<b>1. Leverage</b>		<b><u>4</u></b>
a. Debt Service Coverage Ratio	At least 1.20	2
b. Debt Ratio	Up to 0.60	2
<b>2. Liquidity Ratio</b>		
Quick Ratio	At least 1.00	<b><u>3</u></b>
<b>3. Efficiency</b>		<b><u>15</u></b>
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
<b>4. Result of Financial Operation (Net Margin After RFSC)</b>	Positive	<b><u>5</u></b>
<b>5. NEA Audit Rating</b>	Not less than 90%	<b><u>5</u></b>

#### 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
<b>I. Human Resource: Leadership &amp; Management</b>				<b><u>10</u></b>
<b>1. Good Governance</b>				
a. Performance Rating of BOD	Very Satisfactory			5
b. Performance Rating of GM	Very Satisfactory			4
<b>2. Capacity Building</b>	At least two (2) relevant trainings per employee per year			1
<b>II. Stakeholders</b>				<b><u>28</u></b>
<b>1. Customer Service</b>	Compliant to seven (7) parameters			7
<b>2. Members' Participation/Involvement</b>				
a. AGMA	<b>2018</b>	<b>2019</b>	<b>2020 onwards</b>	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"> <li>• 25% of bona fide member-consumers (average of all district elections conducted within the year)</li> <li>• With NEA Approved Deferment</li> <li>• Failure of Election</li> </ul>			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
<b>3. Formation of Member-Consumer-Owners Organization</b>	Provincial/Franchise Wide down to the City/Municipality/Barangay Levels			3
<b>4. Action on Consumer Complaints/Requests</b>	Compliant			2
<b>5. Sanitation of EC Masterlist</b>	Compliant			2
<b>6. Customer Satisfaction Survey</b>	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:

<b>EC Board of Directors Performance Evaluation</b>			
<b>Parameters</b>	<b>Performance Level</b>	<b>Required Document/s</b>	<b>Rating</b>
<b>I. Attendance/Performance of Mandatory Activities</b>			
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
<b>II. BOD Decisions Formalized through Board Resolutions</b>	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
<b>III. Board's Strategic Initiatives</b>	At least 2 New Programs/Projects/Innovation	List of Programs/Projects/Innovations certified under oath by the Board Secretary	10
<b>IV. No Penalties Imposed by NEA Board</b>	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
<b>Total</b>			<b>100</b>

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%
<b>Total</b>	<b>100%</b>

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
<b>Total</b>	<b>3</b>



**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
<b>1. Power Reliability</b>		<b><u>12</u></b>
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
<b>2. System Loss</b>	Single Digit System Loss	<b><u>15</u></b>

**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





EC Classification

Approved Parameters & Standards	Proposed Revisions
Payment to GENCO and NGCP - Current/Res. Current	Payment to Power Suppliers / Transmission (Main Grid) /Sub-Transmission (Consortium) - Current/Res. Current
Profitability (Net Margin before RFSC) - Positive	Result of Financial Operation (Net Margin after RFSC) - Positive
System Loss - 13%	System Loss - ERC Approved Caps

Upon motion duly made and seconded, the Board of Administrators approved and passed the following resolution:

**RESOLUTION NO. 46**

WHEREAS, the Board Governance, Nomination and Remuneration Committee (BGNRC) in its Memorandum to the Board of Administrators dated March 15, 2018 is requesting for approval of the Proposed Revisions on the Enhanced EC Overall Performance Assessment Criteria & EC Classification;

WHEREAS, the background are as follows:

- System Loss is one of the performance parameters of the approved Enhanced EC Overall Performance Assessment Criteria; and
- On February 21, 2018, Energy Regulatory Commission published the Rules for Setting the Distribution

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System Loss Cap and Establishing  
Performance Incentive Scheme for  
Distribution Efficiency;

WHEREAS, the distribution System Loss Caps (%)  
for ECs is as follows:

Year	Cluster 1 ECs	Cluster 2 ECs	Cluster 3 ECs
2018	12.00	12.00	12.00
2019	12.00	11.00	11.00
2020	12.00	10.25	10.00
2021	12.00	10.25	9.00
2022 onwards	12.00	10.25	8.25

WHEREAS, the approved rating scheme on System Loss  
which was based on the previous caps of 13% are as follows:

A. Major Criteria

2018 Onwards SLC: 13%	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

B. Incentive Points

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



WHEREAS, in taking into consideration the new ERC approved System Loss Caps (SLCs), the rating scheme for System Loss is recommended to be revised, as follows:

A. Major Criteria

• Cluster 1 ECs

2018 Onwards SLC: 12%	Point Score
Below 10.00	15
10.00 - 11.00	14
11.01 - 12.00	13
Above 12.00	0

• Cluster 2 ECs

2018 SLC: 12%	2019 SLC: 11%	2020 Onwards SLC: 10.25%	Point Score
Below 10.00	Below 9.00	Below 8.25	15
10.00 - 11.00	9.00 - 10.00	8.25 - 9.25	14
11.01 - 12.00	10.01 - 11.00	9.26 - 10.25	13
Above 12.00	Above 11.00	Above 10.25	0

• Cluster 3 ECs

2018 SLC: 12%	2019 SLC: 11%	2020 SLC: 10%	2021 SLC: 9%	2022 SLC: 8%	Point Score
Below 10.00	Below 9.00	Below 8.00	Below 7.00	Below 6.25	15
10.00 - 11.00	9.00 - 10.00	8.00 - 9.00	7.00 - 8.00	6.25 - 7.25	14
11.01 - 12.00	10.01 - 11.00	9.01 - 10.00	8.01 - 9.00	7.26 - 8.25	13
Above 12.00	Above 11.00	Above 10.00	Above 9.00	Above 8.25	0

B. Incentive Points

One (1) incentive point for every 1% reduction in System Loss from the level which earned the maximum allocated points of fifteen (15) for

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each EC Cluster, but not to exceed two (2) points.

WHEREAS, the Six (6) Financial and Operational Standards and Parameters are as follows:

Parameters	Standards
1. Cash General Fund	At least 1 month working capital for power and non-power costs
2. Collection Efficiency	95%
3. Accounts Payable - Power	Current / Restructured-Current
4. Profitability	Positive
5. Networth	Positive
6. System Loss	13%

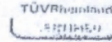
WHEREAS, Under the Enhanced EC Overall Performance Assessment Criteria, Payment to Power Suppliers/Transmission (Main Grid)/Sub-Transmission (Consortium) and Result of Financial Operation (Net Margin after RFSC) are used instead of Payment to GENCO and NGCP, and Profitability (Net Margin before RFSC), respectively. On the other hand, under the EC Classification, the Standard adopted for System Loss is 13% (previous approved cap) and below;

WHEREAS, for consistency, may we recommend to use the following under the EC Classification:

- a. Payment to Power Suppliers/Transmission (Main Grid)/Sub-Transmission (Consortium) instead of Payment to GENCO and NGCP;

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- b. Result of Financial Operation (Net Margin after RFSC) instead of Profitability (Net Margin before RFSC); and
- c. Distribution System Loss Caps approved by ERC in accordance with paragraph 2 above instead of 13% and below;

WHEREAS, the request for approval of the Proposed Revisions on the Enhanced EC Overall Performance Assessment Criteria & EC Classification, was discussed and reviewed by the Committee;

WHEREAS, after deliberation, the Board agreed to approve the request;

NOW, THEREFORE, BE IT RESOLVED, AS IT IS HEREBY RESOLVED, based on the foregoing and pursuant to the authority of the Board under Sections 4 and 7 of Presidential Decree No. 269, as amended; and Republic Act No. 10531, to approve, as it is hereby approved, the Proposed Revisions on the Enhanced EC Overall Performance Assessment Criteria & EC Classification.

VI. Appointment of Mr. Norberto M. Mendoza as Project Supervisor/Acting General Manager of Oriental Mindoro Electric Cooperative, Inc. (ORMECO)

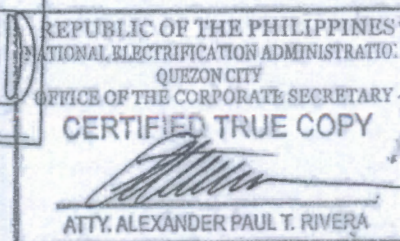
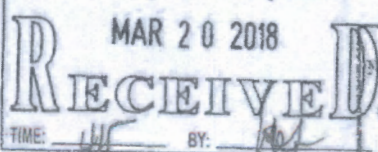
Mr. Nollie B. Alamillo, Department Manager, Institutional Development Department (IDD) reported for approval of the Appointment of Mr. Norberto M. Mendoza as Project Supervisor/Acting General Manager of Oriental Mindoro Electric Cooperative, Inc. (ORMECO).

The details of the report are as follows:

**Legal Basis:**




**NATIONAL ELECTRIFICATION ADMINISTRATION**

 "The 1<sup>st</sup> Performance Governance System-Institutionalized National Government Agency"  
 57 NIA Road, Government Center, Quezon City, Philippines


March 16, 2018

**MEMORANDUM No. 2018-014**

TO : ALL ELECTRIC COOPERATIVES (ECs)

SUBJECT : Revisions on the Enhanced EC Overall Performance Assessment Criteria and EC Classification

**A. Enhanced EC Overall Performance Assessment Criteria**

1. The Enhanced EC Overall Performance Assessment Criteria was issued to all ECs per Memorandum No. 2018-005 dated January 25, 2018, of which System Loss is one of the performance parameters.
2. On February 21, 2018, the Energy Regulatory Commission (ERC) published the Rules for Setting the Distribution System Loss Cap and Establishing Performance Incentive Scheme for Distribution Efficiency. Accordingly, the ERC set three (3) clusters of ECs with corresponding Distribution System Loss Caps.
3. Taking into consideration the new ERC approved Distribution System Loss (DSL) Caps, the rating scheme for System Loss is revised as shown below.

**a. Major Criteria**
**Cluster 1 ECs**

2018 Onwards DSL Cap: 12%	Point Score
Below 10.00	15
10.00 - 11.00	14
11.01 - 12.00	13
Above 12.00	0

**Cluster 2 ECs**

2018 DSL Cap: 12%	2019 DSL Cap: 11%	2020 Onwards DSL Cap: 10.25%	Point Score
Below 10.00	Below 9.00	Below 8.25	15
10.00 - 11.00	9.00 - 10.00	8.25 - 9.25	14
11.01 - 12.00	10.01 - 11.00	9.26 - 10.25	13
Above 12.00	Above 11.00	Above 10.25	0

**Cluster 3 ECs**

2018 DSL Cap: 12%	2019 DSL Cap: 11%	2020 DSL Cap: 10%	2021 DSL Cap: 9%	2022 Onwards DSL Cap: 8.25%	Point Score
Below 10.00	Below 9.00	Below 8.00	Below 7.00	Below 6.25	15
10.00 - 11.00	9.00 - 10.00	8.00 - 9.00	7.00 - 8.00	6.25 - 7.25	14
11.01 - 12.00	10.01 - 11.00	9.01 - 10.00	8.01 - 9.00	7.26 - 8.25	13
Above 12.00	Above 11.00	Above 10.00	Above 9.00	Above 8.25	0



**b. Incentive Points**

One (1) incentive point for every 1% reduction in System Loss from the level which earned the maximum allocated points of fifteen (15) for each EC Cluster, but not to exceed two (2) points.

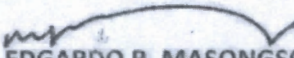
**B. EC Classification**

1. The Guidelines for the Classification of ECs was issued per Memorandum No. 2014-001 dated January 14, 2014 wherein six (6) parameters and standards were adopted to measure the performance of ECs and serve as triggers for the NEA intervention in the EC operations.
2. Under the Enhanced EC Overall Performance Assessment Criteria, Payment to Power Suppliers/Transmission (Main Grid)/Sub-Transmission (Consortium) and Result of Financial Operation (Net Margin after RFSC) are used instead of Payment to GENCO and NGCP, and Profitability (Net Margin before RFSC), respectively. On the other hand, the standard adopted for System Loss is 13% (previous approved cap) under the EC Classification.
3. For consistency, the parameters and standards to be used in the Classification of ECs shall be as follows:

**Six (6) Financial and Operational Standards and Parameters**

Parameters	Standards
1. Cash General Fund	At least one month working capital
2. Collection Efficiency	95% and above
3. Payment to Power Suppliers / Transmission (Main Grid) / Sub-Transmission (Consortium)	Current / Restructured Current
4. Result of Financial Operation (Net Margin after RFSC)	Positive
5. Networth	Positive
6. System Loss	ERC Approved Caps

These shall be applied starting Performance Year 2018.

  
**EDGARDO R. MASONGSONG**  
 Administrator

NATIONAL ELECTRIFICATION  
 ADMINISTRATION  
 Office of the Administrator  
  
 NEA-OA250366 *Handwritten initials*

U.P. LAW CENTER  
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 TIME: \_\_\_\_\_ BY: *Handwritten initials*

Approved by the NEA Board of Administrators during its meeting on March 16, 2018





March 17, 2018

**THE DIRECTOR**

Office of the National Administrative Register  
University of the Philippines Law Center  
U.P Law Center, Diliman  
Quezon City

Sir:

Pursuant to Book VII, Chapter 2, Section 3 of the 1987 Administrative Code of the Philippines, we are respectfully submitting to the U.P Law Center for filing, publication and recording the attached certified true copies of the **"REVISIONS ON THE ENHANCED EC OVERALL PERFORMANCE ASSESSMENT CRITERIA AND EC CLASSIFICATION"** promulgated by the National Electrification Administration (NEA) in accordance with its authority under Section 5 of P.D. No. 269 as amended.

Thank you very much for the usual and kind assistance of the U.P Law Center.

Very truly yours.

**ATTY. ALEXANDER PAUL T. RIVERA**  
Corporate Board Secretary V

