



Republic of the Philippines
National Electrification Administration
Quezon City

17 June 2008

MEMORANDUM No. 2008-019

TO : ALL ELECTRIC COOPERATIVES (ECs)

SUBJECT : Enhanced Criteria for Categorization of Electric Cooperatives (ECs)

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I. RATIONALE

The ECs' operating performance gained relatively impressive results in the past years as measured through the annual categorization. In further preparation for competition, this enhanced categorization criteria is adopted in order to be more responsive and reflective of the obtaining circumstances in the operations of ECs. Accordingly, other factors are considered with the end view of improving the cooperatives viability and complying with the mandate of total electrification.

II. CATEGORIZATION CRITERIA: Factors and Scoring System

1. Amortization Payment to NEA

This pertains to the ability of the ECs to fulfill their loan obligations with NEA in terms of payment of their respective amortizations due.

1.1 Major Criteria

<u>Status of Payment</u>	<u>Point Score</u>	
	<u>Regular</u>	<u>Restructured</u>
Current	15	12
Up to 1 qtr. overdue	10	7
Up to 2 qtrs. overdue	5	2
Up to 3 qtrs. overdue	0	-2
Up to 4 qtrs. overdue	-2	-4
Up to 5 qtrs. overdue	-4	-6
Up to 6 qtrs. overdue	-6	-8
Up to 7 qtrs. and above	-8	-10

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1.2. Definition

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

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

1.3. Incentive Points

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

2. System Loss

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

2.1 Formula

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

Energy Input = Energy Purchased + Energy Generated

Energy Output = Energy Sales + Energy Recovered + Energy Used By the EC

2.2 Definition

Energy Purchased -- The total energy (in kWh) purchased by the EC from power supplier(s).

Energy Generated -- The total energy (in kWh) generated by the power plant of the EC.

Energy Sales -- The total energy or electric consumption (in kWh) of the consumers as read from their billing meters.

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L. J.
J. J.
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Energy Recovered -- The energy (in kWh) not registered by the consumers' billing meters but were recovered later due to corrective measures undertaken by the EC. The energy recovered shall be considered in the computation of systems loss upon settlement and/or execution of promissory note by the concerned consumer and that the energy was recovered within the same year in review.

Energy Used by the Electric Cooperative -- The total energy consumption (in kWh) of the EC's facilities as read from its billing meters but not to exceed 1% of the total purchased/generated power.

2.3. Major Criteria

<u>System Loss</u>	<u>Point Score</u>
Below 10%	25
10.00% - 10.50%	24
10.51% - 11.50%	23
11.51% - 12.50%	22
12.51% - 13.50%	21
13.51% - 14.50%	20
14.51% - 15.50%	5
15.51% and above	0

2.4. Incentive Points

2.4.1 Two (2) points for every 1% reduction in system loss level from 9.99%; and

2.4.2 One (1) point for every 1% reduction in system loss level from 10% and above;

provided that such incentive points will not exceed two (2) points.

3 Collection Efficiency

This item refers to the capability of ECs to collect consumer accounts receivables. While the EC may be performing well in other aspects of operations, its inability to collect receivables on time will affect its financial position.

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3.4 Formula

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

3.5 Definition

Gross A/R Beg., Gross Sales and Gross Current Mo. Sales are inclusive of 5% reinvestment.

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

3.6 Criteria

<u>Collection Eff.</u>	<u>Point Score</u>	<u>Collection Eff.</u>	<u>Point Score</u>
95% & above	15	87%	7
94%	14	86%	6
93%	13	85%	5
92%	12	84%	4
91%	11	83%	3
90%	10	82%	2
89%	9	81%	1
88%	8	80% & below	0

4 Payment to Power Supplier/s and the National Transmission Corporation (TRANSCO).

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

Status	Main Grid				Island EC	
	GENCO/s		TRANSCO		GENCO/s	
	Without Restructuring	With Restructuring	Without Restructuring	With Restructuring	Without Restructuring	With Restructuring
Current	10	8	5	4	15	12
1 Months Overdue	8	5	4	2	12	7
2 Months Overdue	5	0	2	0	7	0
3 Months Overdue & above	0	-3	0	-2	0	-5

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5 Non-Power Cost

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

<u>Budget Compliance</u>		<u>Point Score</u>
Within approved level	-	10 pts.
Above approved level by 1%	-	8
2	-	6
3	-	4
4	-	2
5 and above	-	0

6. Level of Energization

This criterion is in line with NEA's mandate of total electrification and the government's target of 100% barangay energization by 2009. To recognize the EC's efforts to serve additional consumers, the level of connection performance is included as part of this parameter.

6.1 Barangay

6.1.1 Major Criteria

<u>Level of Energization (%)</u>	<u>Point Score</u>
100	7
95-99	6
85-94	5
75-84	4
65-74	3
55-64	2
45-54	1
Below 45	0

6.1.2 Incentive Points

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

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 - Middle left: A signature that appears to be "MTC".
 - Middle right: A signature that appears to be "Chris".

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 - "Lions"
 - "K"

6.2 Connections

<u>Percent (%) Accomplishment Based on ICPM Targets</u>	<u>Point Score</u>
50 & above	3
40-49	2
30-39	1
Below 30	0

7. Result of Financial Operation

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

<u>Status of Operation</u>	<u>Point Score</u>
With Margin Before Reinvestment	5
Net Loss	0

8. Demerit Points

Cash Advances to Officers & Employees

As a measure to discourage the ECs from granting excessive cash advances to officers and employees and to encourage them to strictly effect immediate liquidation of the same, one (1) point is deducted for every P50,000 unliquidated cash advances at the end of the year in review but not to exceed 20 demerit points.

Cash Advances charged back due to audit disallowances shall have a one time demerit point deduction provided there is a 20% payment/reduction in the original amount disallowed, in which case the remaining balance should be reclassified to Other Receivables account (143). If not, the balance will remain in the Cash Advances (145) account.

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9. Over-all Scoring System

<u>Score</u>	<u>Category</u>	<u>Adjectival Rating</u>
90 & Above	A+	Outstanding
75 - 89	A	Very Satisfactory
65 - 74	B	Satisfactory
55 - 64	C	Fair
30 - 54	D	Poor
29 & Below	E	*

*ECs under this Category are those which have not shown any improvement in their operations.

10. The general rule of rounding off figures will be followed except for cash advances.

11. Effectivity

These enhanced categorization criteria shall be applied in the evaluation of ECs performance starting 2008 operation.


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Administrator

NATIONAL ELECTRIFICATION
ADMINISTRATION

THE PHILIPPINES, FILE NO. ITC: #OR012622



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