FINANCIAL AND TECHNICAL STANDARDS USED AS BASES FOR DETERMINING DIRECT CORRECTION OF INDUSTRY TO NPC

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WHEREAS, on January 21, 1987, the President and the Cabinet approved a set of policy reforms for the power sector, which, among other things, mandated the establishment of technical and financial indicators and standards to be used as bases for determining the continuance or discontinuance of direct power connection of industries to the National Power Corporation;

WHEREAS, the Energy Coordinating Council (ECC) subsequently endorsed to the Energy Regulatory Board, for adoption and implementation, a set of financial and technical standards which had been formulated in consultation with various government and private agencies/entities concerned;

WHEREAS, the Board had requested various industries/groups, which will be affected by these financial and technical standards particularly those that are directly connected to the National Power Corporation (NPC), to submit their respective comments/views thereon for consideration by the Board;

WHEREAS, there is an absolute need to adopt and implement these standards in order to facilitate the determination of the power distributors qualified to service large industrial customers and, consequently, the transfer of said large industrial loads directly connected to NPC to the local electric distributors under this Board's jurisdiction.

NOW, THEREFORE, be it resolved, as this Board hereby resolves, to adopt and implement, AS IT HEREBY ADOPTS AND IMPLEMENTS, the following financial and technical standards for electric utilities under the Board's jurisdiction to be used as bases for determining whether direct connection of industry to NPC is no longer necessary in the franchise area of the specific electric utility, together with the prescribed data monitoring format:

I
Financial Standards

SECTION 1. Definition of Financial Indicators

1. Outstanding Debt of NPC (ODNPC) — Total outstanding or overdue accounts to NPC excluding restructured debts and receivables from government accounts.

Standard is set at no outstanding debt to NPC.

2. Debt Service Capability Ratio (DSCR) —

$$\text{DSCR} = \frac{\text{Net Income (before interest) plus Non-Cash Charges}}{\text{Interest plus Principal Payments on All Loans}}$$

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Standard is at least 1.25

3. Operating Expense Ratio (OER) —

Operating Expenses plus Cost
of Available Power less Taxes and
Non-Cash Charges

OER =

Revenues from Sale of Electricity
Standard is 95 percent or less.

4. Average Collection Period (ACP —

Customers Accounts Receivables
less Government Accounts

ACP x 365 days

Revenues from sale of Electricity
Standard is 45 days or less.

SECTION 2. Weights are given to the different financial standards since the different financial indicators are not of equal importance in the determination of financial capabilities of electric utilities in taking over industries directly connected to NPC, viz;

INDICATORS STANDARDS WEIGHTS

ODNPC NOODNPC 50%

DSCR 1.25 or more 25%

OER 95% or less 10%

ACP 45 days or less 15%

In order to pass the financial standards, utilities should at least obtain a 75% passing mark. Those that do not pass one of the above standards must be within 10% of the standards.

II
Technical Standards

SECTION 1. Efficiency standards are set for private utilities. Minimum and preferred standards are given, with the preferred standard to serve as targets that must be achieved within a reasonable period of time.

SECTION 2. Percentage system losses is defined as:

(Total Kwh Sales)

% System = (1) x 100%

Losses (Net System Input (Kwh))

where:

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Net System Input Purchased Power plus Utility Generation less Utility's Own Use

SECTION 3. Standards for Private Utilities

% Power Losses

Minimum Standard

14%

Preferred Standard

10%

III
Implementation

SECTION 1. (a) On the issue of direct power connection to NPC, primary consideration shall be given to the technical capability of electric distributors to serve large industrial loads; the financial and technical standards shall serve as secondary considerations for the transfer of directly connected industries to franchised distributors.

b. These financial and technical standards shall gradually be implemented, allowing for a transition period of one year from the electricity thereof. Within this period, electric distributors are expected to attain at least the minimum standard of efficiency, as well as the financial benchmarks presented.

c. The preferred standard of efficiency should largely be met in 5 years time from the adoption of the minimum standards. Efforts towards this end should be coupled with continuous government incentives and penalties, as well as strict monitoring and implementation of financial and technical standards.

These standards shall be reviewed regularly to guarantee the continued applicability and usefulness of the approved performance measures and benchmarks.

IV
Data Monitoring and Collection Format

SECTION 1. To ensure data consistency across all distributing utilities, the attached data monitoring and collection format[*] is hereby prescribed for compliance by all utilities concerned.

Let copies of this Resolution be furnished the agencies/entities concerned for their information and guidance.

This resolution shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation in the country.

Adopted: 6 Dec. 1991

(SGD.) REX V. TANTIONGCO
Chairman

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[*] Available at the Office of Energy Regulatory Board.

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