

# **Short Term Credit Facility (STCF) Graduation Policy**

## **I. OBJECTIVE**

To establish a policy on the graduation of ECs from STCF.

## **II. BACKGROUND**

Pursuant to Sec. 58 (b) of RA 9136 mandating NEA to develop and implement programs to strengthen the technical and financial viability of electric cooperatives, the NEA Board approved the Short Term Credit Facility (STCF) in 2004. The STCF aims to finance the ECs monthly shortfall on the settlement of power accounts with the NPC and TRANSCO in order to enjoy power purchase discount, maintain current status with NPC, and avoid accumulation of power arrearages.

Some ECs are continuously availing the facility in order to generate additional income through the availment of prompt payment discount which will result in the reduction of rate to the consumers; and for others, to strengthen their credit worthiness by being current in the payment of their power bills.

For ECs that are experiencing problems in cashflow and are still in arrears with NPC/TRANSCO despite the availment of STCF, NEA requires concerned ECs to implement concrete steps that will address major areas of concern (i.e. high system loss, low collection efficiency, insufficient rate) and for the GM to undergo round-table assessment. There should also be a timeframe within which these ECs should graduate from the facility.

It is in this context that a graduation policy be set in place for these ECs.

## **III. POLICY STATEMENT**

While NEA recognizes that the operational performance of some ECs have been affected by causes beyond their control which necessitates short-term borrowing from NEA to meet payment of power bills to NPC/TRANSCO, there is a need to set a policy as to until when NEA shall continue providing financial assistance to these ECs.

ECs availing STCF in order to enjoy PPD or to maintain their current status with NPC/TRANSCO shall not be covered by this Policy.

#### IV. GRADUATION GUIDELINE

The renewal of STCF shall be subject to evaluation on the progress made by the EC particularly on the area of system loss, collection efficiency and ability to meet maturing obligations vis-a-vis the set targets in the improvement plan.

The graduation of ECs from STCF shall be based on mutually (NEA and EC) agreed timetable taking into consideration the ECs improvement plan, otherwise the following schedule of graduation shall be followed:

<b>Problem</b>	<b>Graduation from STCF</b>
Unrecovered legitimate cost (i.e. taxes, CAPEX, loan amortization); System loss is above the 14% cap; and Ave. Collection Period is 45 days and above	Maximum of three (3) renewals to give EC sufficient time to address operational problems.
Unrecovered legitimate cost (i.e. taxes, CAPEX, loan amortization); System loss is above the 14% cap; and Ave. Collection Period is within the standard of 45 days	Maximum of two (2) renewals to give EC sufficient time to address operational problems.
Unrecovered legitimate cost (i.e. taxes, CAPEX, loan amortization); System loss is within the 14% cap; and Ave. Collection Period is within the standard of 45 days	Maximum of one (1) renewal.
Hit by Typhoon and other calamities	Within 6 months after normal revenue level is attained but not to exceed three (3) renewals.

#### V. IMPLEMENTATION

The Administrator is responsible in implementing this policy. The Administrator is authorized to approve the exemption of EC from the graduation schedule based on its justification(s).

This policy shall be effective immediately upon approval.