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3 **RULES AND REGULATIONS TO IMPLEMENT REPUBLIC ACT NO. 10531**

4  
5 Pursuant to Section 16 of Republic Act No. 10531, otherwise known as the “National  
6 Electrification Administration Reform Act of 2013” (Act), the Department of Energy  
7 (DOE), in coordination with the National Electrification Administration (NEA) and  
8 Cooperative Development Authority (CDA) and in consultation with the Philippine  
9 Rural Electric Cooperatives Association, inc. (PHILRECA), Philippine Federation of  
10 Rural Cooperatives (PHILFECO), Department of Finance (DOF), Department of  
11 Interior and Local Government (DILG), Energy Regulatory Commission (ERC),  
12 Governance Commission for Government Owned and Controlled Corporations  
13 (GCG), Joint Congressional Power Commission (JCPC), National Power Corporation  
14 (NPC), National Transmission Corporation (TRANSCO)/National Grid of Corporation  
15 of the Philippines (NGCP), Philippine Electricity Market Corporation (PEMC), Power  
16 Sector Assets and Liabilities Management Corporation (PSALM) and Securities and  
17 Exchange Commission (SEC), hereby issues, adopts and promulgates the following  
18 rules and regulations implementing the provisions of the Act.  
19

20 **RULE I. GENERAL PROVISIONS**

21  
22 The succeeding rules and regulations shall include the general provisions to be  
23 followed in implementing the structural reforms in the National Electrification  
24 Administration and the electric cooperatives in pursuit of rural electrification.  
25

26 **RULE 2. TITLE AND SCOPE, DECLARATION OF POLICY AND DEFINITION OF**  
27 **TERMS**

28  
29 **Section 1. Title.**

30  
31 Department Circular No. 2013-07-\_\_\_\_\_ shall be known as the “Implementing Rules  
32 and Regulations (IRR) of Republic Act No. 10531,” otherwise known as the “National  
33 Electrification Administration Reform Act of 2013”.  
34

35 **Section 2. Scope.**

36  
37 These Rules are promulgated under the authority of the DOE, in coordination with  
38 the NEA and the CDA, and in consultation with the electric cooperatives, to  
39 implement the Act and to establish a framework for introducing structural, reforms in  
40 the NEA and the electric cooperatives.”  
41

42 **Section 3. Declaration of Policy**

43  
44 It is hereby declared the policy of the State to:

- 45  
46 (a) promote the sustainable development in the rural areas through rural  
47 electrification;  
48

- 1 (b) empower and strengthen the National Electrification Administration (NEA) to  
2 pursue the electrification program and bring electricity, through the electric  
3 cooperatives as its implementing arm, to the countryside even in missionary or  
4 economically unviable areas;  
5  
6 (c) empower and enable electric cooperatives to cope with the changes brought  
7 about by the restructuring of the electric power industry pursuant to Republic Act  
8 No. 9136, otherwise known as the “Electric Power Industry Reform Act of 2001”.”  
9

#### 10 11 **Section 4. Definition of Terms**

12  
13 For the purpose of these Implementing Rules and Regulations, the following terms  
14 are defined as follows:  
15

- 16 a. Act – shall refer to Republic Act No. 10531.  
17 b. Ailing Electric Cooperatives – shall refer to an ailing electric cooperative shall  
18 mean a critically challenged EC and is defined as one that has no means of  
19 meeting its outstanding obligations due to financial, technical and/or institutional  
20 inefficiency.  
21 Comment - SHOULD BE DEFINED BASED ON SECTION 3 RULE IV ON  
22 AILING COOPERATIVES  
23  
24 c. Barangay – shall refer to the smallest political unit in the country.  
25  
26 d. Barangay Line Enhancement Program (BLEP) – shall refer to connection of  
27 barangays previously energized by small generating sets or solar home system  
28 to the grid.  
29  
30 e. Bona fide Member – shall refer to a person who is a member-consumer in good  
31 standing who has met all the requirements set and has been listed/included in  
32 the Master list of voters, to have voting rights, under the one-member, one vote  
33 policy of the EC.  
34  
35 f. CAPEX Fund – shall refer to capital expenditure funding which may be sourced  
36 from Reinvestment Fund for Sustainable Capital Expenditure (RFSC), NEA,  
37 and/or other financial institutions.  
38

39 NOTE: For further refinement by the NEA ACT IRR TWG  
40

- 41 g. Complaint – shall refer to an administrative complaint as defined in the NEA  
42 Administrative Committee Rules of Procedure.  
43  
44 h. Consumer Electrification Program (CEP) – shall refer to the provision of electric  
45 service to potential consumers in the electric cooperatives’ franchise area.  
46  
47 i. Cooperative Code – shall refer to R.A. 9520 otherwise known as the “Philippine  
48 Cooperative Code of 2008”..  
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- j. Cooperative Development Authority (CDA) – shall refer to the entity created under R.A. No. 6939;
- k. Corporation Code – shall refer to Batas Pambansa Blg. 68.
- l. Decision – shall refer to a determination arrived at by NEA after considering relevant facts and/or law in the exercise of any one or more of its functions and powers.
- m. District – shall refer to a town/municipality or to a group of towns/municipalities contiguously located within the franchise area of an EC or to a city or a portion thereof, as defined in the by-laws of the EC;
- n. District Meeting – shall refer to a gathering of the bona fide member-consumers of an EC from a particular district, and held within the geographical confines of such district;
- o. Electric Cooperative Officers – shall include the following:
  - i. Members of the Board of Directors;
  - ii. The General Manager;
  - iii. Department Managers;
  - iv. Area Managers;
  - v. Division Chiefs;
  - vi. Members of the Bids and Awards Committee; and
  - vii. Other designated/responsible officers with equivalent rank as those enumerated above.
- p. Electric Cooperative (EC) – shall refer to a Distribution Utility organized pursuant to Presidential Decree No. 269, as amended or as otherwise provided in the EPIRA.
- q. Embedded Generators – shall refer to generating units that are indirectly connected to the Grid and Small Grid through the Distribution Utilities' lines or industrial generation facilities that are synchronized with the Grid.
- r. End-user – shall refer to any person or entity requiring the supply and delivery of electricity for its own use.
- s. Energy Regulatory Commission (ERC) – shall refer to the regulatory agency created under Republic Act 9136.
- t. **Financial Viability – shall refer to the capability of the ECs to implement total electrification without need of the universal charge for missionary electrification (UC-ME)**

1 u. Funded through CAPEX - shall refer to capital expenditure funding which may  
2 be sourced from NEA and/or other financial institutions through loans or through  
3 the ECs internally-generated funds.  
4

5 NOTE: DEFINITION IS VAGUE.  
6

7 v. Generating Facility – shall refer to a facility for the production of electricity.  
8

9 w. Grid – shall refer to the high voltage backbone system of interconnected  
10 transmission lines, substations and related facilities, located in each of Luzon,  
11 Visayas, Mindanao, or as may otherwise be determined by the ERC in  
12 accordance with Section 45 of the EPIRA.  
13

14 x. General Assembly – shall refer to a meeting of all the bona fide member-  
15 consumers coming from all the districts of an EC, held within its franchise area,  
16 and conducted based on the annual schedule prescribed in the by-laws of the  
17 EC.  
18

19 y. Line Enhancement Program for Sitios (LEPS) – shall refer to the connection of  
20 sitios previously energized by solar energy to the grid.  
21

22 z. Local Law Enforcement Agencies – shall refer to, but not limited to, the  
23 following:  
24

- 25 i. The Philippine National Police;
- 26 ii. The Armed Forces of the Philippines;
- 27 iii. Court Sheriffs of the Trial Courts, and
- 28 iv. The National Bureau of Investigation (NBI).  
29

30 aa. Marginalized household - shall refer to families below poverty line threshold as  
31 determined by the Department of Social Welfare and Development (DSWD).  
32

33 bb. Membership Meetings – shall refer to a gathering of bona fide member-  
34 consumers of an EC, either as a General Assembly, or as a District Meeting.  
35

36 cc. National Electrification Administration or NEA – shall refer to the government  
37 agency created under Presidential Decree No. 269, as amended by PD 1645  
38 and RA 10531, with additional mandate set forth in the RA 9136, EPIRA.  
39

40 dd. Order – shall refer to any office order, command, direction, mandate, circular,  
41 memorandum authoritatively given by NEA or its duly authorized representative.  
42

43 ee. Philippine Rural Electric Cooperatives Association, Inc. (PHILRECA) – shall  
44 refer to the national association of all the ECs operating nationwide.  
45

46 ff. PHILFECO -  
47

- 1 gg. Public Office - shall refer to any position which requires the performance of  
2 public functions / duties of government by virtue of direct provision of law, either  
3 by popular election, or appointment by competent authority. Appointive office  
4 shall mean co-terminus position with the appointing authority.  
5  
6  
7 hh. Ruling – shall refer to an administrative interpretation by NEA or its duly  
8 authorized representative on a provision of a statute, order, regulation, circular,  
9 memorandum or government policy relating to electric cooperatives, the NEA or  
10 the rural electrification.  
11  
12 ii. Securities and Exchange Commission (SEC) – shall refer to the government  
13 agency created under Commonwealth Act No. 83, as amended.  
14  
15 jj. Sitio - shall refer to a territorial enclave within a barangay which may be distant  
16 from the barangay center.  
17  
18 kk. Sitio Electrification Program (SEP) - shall mean energization of all sitios  
19 nationwide within the ECs' franchise area.  
20  
21 ll. Small Grid - the backbone system of interconnected high voltage (HV) lines or  
22 medium voltage (MV) lines, substations and other related facilities not  
23 connected to the grid in Luzon, Visayas and Mindanao.  
24  
25 mm. Stock Cooperative – shall refer to a association of persons duly registered with  
26 the CDA, with a common bond of interest, who have voluntarily joined together  
27 to achieve a lawful common social or economic end, making equitable  
28 contributions to the capital required and accepting a fair share of the risk and  
29 benefits of the undertakings in accordance with the universally accepted  
30 cooperative principles.  
31  
32 nn. Stock Corporation – shall refer to an artificial being created by operation of law,  
33 with capital stock divided into shares, and authorized to distribute to its  
34 Shareholders' dividends out of its surplus profits, having the right of succession  
35 and the powers, attributes and properties expressly authorized by law or  
36 incident to its existence;  
37  
38  
39  
40 oo. Total Electrification - shall mean providing electric service to every household  
41 within the franchise area of electric cooperatives (ECs) in rural and urban areas  
42 of the country.  
43  
44

45 **PART II. POWERS, FUNCTIONS AND PRIVILEGES**  
46 **OF NATIONAL ELECTRIFICATION ADMINISTRATION**  
47

1 To strengthen the electric cooperatives, help them become economically viable and  
2 prepare them for the implementation of retail competition and open access pursuant  
3 to Section 31 of the EPIRA, the NEA is authorized and empowered to:

- 4
- 5 (a) have a continuous succession under its corporate name until otherwise provided  
6 by law;
- 7
- 8 (b) adopt and use a seal and alter it at its pleasure;
- 9
- 10 (c) sue and be sued in any court: Provided, That the NEA shall, unless it consents  
11 otherwise, be immune to suits for acts ex delicti;
- 12
- 13 (d) make contracts of every name and nature and execute all instruments necessary  
14 or convenient for the carrying on of its business;
- 15
- 16 (e) supervise the management and operations of all electric cooperatives;
- 17
- 18 (f) exercise step-in rights as herein defined;
- 19
- 20 (g) provide institutional, financial and technical assistance to electric cooperatives  
21 upon request of the electric cooperatives;
- 22
- 23 (h) pursue the total electrification of the country through the electric cooperatives by  
24 way of enhancing distribution development and, in case of missionary areas,  
25 shall be done in coordination with the National Power Corporation – Small Power  
26 Utilities Group (NPC-SPUG) which shall be responsible for the generation and  
27 transmission requirements, as necessary;
- 28
- 29 (i) devote all returns from its capital investments to attain the objectives of the Act;  
30 NOTE: TWG suggest to define “returns on capital investment”
- 31 (j) ensure the economic and financial viability and operation of all electric  
32 cooperatives;
- 33
- 34 (k) restructure ailing electric cooperatives with the end in view of making them  
35 economically and financially viable;
- 36
- 37 (l) develop, set and enforce institutional and governance standards for the efficient  
38 operation of electric cooperatives such as, but not limited to, the observance of  
39 appropriate procurement procedure, including transparent and competitive  
40 bidding. Such standards shall be enforced through a mechanism of incentives  
41 and disincentives to complying and non-complying electric cooperatives,  
42 respectively;
- 43
- 44 (m) formulate and impose administrative sanctions and penalties and when  
45 warranted, file criminal cases against those who are found in violation of any of  
46 the provisions of the Act and its implementing rules and regulations (IRR);
- 47
- 48 (n) serve as guarantor to qualified electric cooperatives in their transactions with  
49 various parties such as, but not limited to, co-signing in power supply contracts;

- 1  
2 (o) grant loans to electric cooperatives, for the construction or acquisition, operation  
3 and maintenance of subtransmission and distribution facilities and all related  
4 properties, equipment, machinery, fixtures, and materials for the purpose of  
5 supplying area coverage service, and thereafter to grant loans for the  
6 restoration, improvement or enlargement of such facilities or for such other  
7 purposes as may be deemed necessary;  
8  
9 (p) subject to the prior approval and/or opinion of the Monetary Board, borrow funds  
10 from any source, private or government, foreign or domestic, and secure the  
11 lenders thereof by pledging, sharing or subordinating one or more of the NEA's  
12 own loan securities;  
13  
14 (q) exercise primary and exclusive jurisdiction in the adjudication of complaints  
15 against electric cooperative officers, election disputes and all matters relating to  
16 the effective implementation of the provisions of the Act;  
17  
18 (r) as a quasi-judicial agency, deputize local law enforcement agencies to enforce  
19 or implement its orders or decisions, with the power to cite for contempt any  
20 party or witness to any case before it for contumacious conduct; and  
21  
22 (s) exercise such powers and do such things as may be necessary to carry out the  
23 business and purposes for which the NEA was established, or which from time  
24 to time may be declared by the Board of Administrators as necessary, useful,  
25 incidental or auxiliary to accomplish such purposes.  
26

27  
28 **RULE II. TOTAL ELECTRIFICATION**  
29

30  
31 **Section 1. LEGAL BASIS.**  
32

33 The legal basis for this rule is Section 5 (h) of R.A. 10531, quoted as follows:  
34

35 "Section 5. Section 4 of Presidential Decree No. 269, as  
36 amended, is hereby further amended to read as follows:"  
37

38 "Sec. 4. Powers, Functions and Privileges of the  
39 National Electrification Administration.- To strengthen the  
40 electric cooperatives, help them become economically  
41 viable and prepare them for the implementation of retail  
42 competition and open access pursuant to Section 31 of  
43 the EPIRA, the NEA is authorized and empowered to:"  
44

45 xxx  
46

47 "(h) pursue the total electrification of the country  
48 through the electric cooperatives by way of enhancing

1 distribution development and, in case of missionary  
2 areas, shall be done in coordination with the National  
3 Power Corporation – Small Power Utilities Group (NPC-  
4 SPUG) which shall be responsible for the generation and  
5 transmission requirements, as necessary.”  
6  
7  
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9

10 **Section 2. SCOPE OF TOTAL ELECTRIFICATION. (FOR POLICY RESOLUTION**  
11 **BY THE DOE)**  
12

13 Total Electrification shall be pursued by electric cooperatives by way of enhancing  
14 Electric Distribution System Development which shall include the following:  
15

16 (1) Government Subsidy Funded  
17

- 18 (a) Improvement of distribution lines which will serve as  
19 tapping point for Sitio Electrification, Barangay Line  
20 Enhancement Programs and Line Enhancement Program  
21 for Sitios;  
22
- 23 (b) Construction of new distribution systems to extend electric  
24 service to un-electrified areas;  
25
- 26 (c) Enhancement of distribution lines of barangays and/or  
27 sitios previously energized through off-grid technology for  
28 connection to the ECs main electric distribution system;  
29
- 30 (d) Installation of submarine cable to interconnect islands to  
31 the main grid;  
32
- 33 (e) Provision of house wiring cost and local fees to  
34 marginalized households;  
35
- 36 (f) Pursue construction of embedded generation when deemed  
37 feasible to ensure, among others, supply security of electric  
38 power and complement total electrification policy;  
39

40 (1.1) Responsibilities of Electric Cooperatives  
41

42 (a) Submission of documentary requirements:  
43

44 (a.1) Pre Construction  
45

46 (a.1.1) Distribution Development Plan  
47 incorporating energization  
48



1 program targets and estimated  
2 project costs;

3  
4 (a.1.2) Technical documents such as staking  
5 sheets, construction assembly units,  
6 budget request, board resolution and  
7 other documents as may be required;

8  
9 (a.1.3) Certification from the Barangay  
10 Chairman on the authenticity of the list of  
11 sitios for energization, potential  
12 consumers and accessibility.

13  
14 (a.2) During Construction

15  
16 (a.2.1) Status of Program Implementation  
17 Accomplishment.

18  
19 (a.3) Post Construction

20  
21 (a.3.1) Certificate of Project Completion;

22 (a.3.2) Certificate of Energization;

23 (a.3.3) Accounting of Funds;

24 (a.3.4) Close-out of completed projects.

25  
26 (a.4) Continuing

27  
28 The Electric Cooperatives shall submit a monthly status  
29 of energization report per municipality, to include  
30 barangays and sitios, in their franchise areas.

31  
32  
33 (1.2) Responsibilities of the Agency (NEA)

34  
35 (1.2.1) Issuance of policies related to the efficient, effective and  
36 responsive implementation of the total electrification  
37 program;

38  
39 (1.2.2) Formulation of strategies, in the implementation of the total  
40 electrification program;

41  
42 (1.2.3) Project monitoring of implementation & accomplishment;

43  
44 (1.2.4) Conduct of final inspection & acceptance of energized  
45 projects;

46

1 (1.2.5) Post audit of completed/energized projects.

2  
3 (2) EC funded through CAPEX:

4  
5 2.1 Putting up of substation in every city and municipality within the  
6 franchise area of the ECs as may be necessary;

7  
8 2.2 Rehabilitation and upgrading of distribution system to ensure  
9 power reliability and efficiency.

10  
11 (3) Missionary electrification in off-grid and on-grid isolated areas shall be  
12 done through coordination with NPC-SPUG which shall be responsible for  
13 generation and transmission.

14  
15 In the performance of missionary electrification, the EC shall extend  
16 assistance to QTP serving a QTP area within its franchise, such as but  
17 not limited to acquisition of right of way, site acquisition, and coordination  
18 with concerned local agencies. The assistance given by the DU shall not  
19 interfere with the exclusive authority of the QTP to supply the electricity  
20 requirements of the QTP area.

21  
22 For this purpose, Rule 7 Section 4 (f) and (g) of the EPIRA IRR are hereby  
23 reiterated as follows:

24  
25 xxx.

26  
27 (f) "A DU shall provide universal service within its franchise area, over a  
28 reasonable time, including unviable areas, as part of its social obligations.  
29 This obligations shall be performed in a manner shall allow such DU to  
30 collect different rates in unviable areas to sustain its economic viability  
31 subject to the approval by the ERC."

32  
33 (g) "A DU shall file with the ERC its petition to allow another DU to provide  
34 electricity to areas that it does not find viable, pursuant to Section 6 of the  
35 EPIRA-IRR."  
36

### 37 **RULE III. NEA QUASI-JUDICIAL FUNCTIONS AND SUPERVISORY POWERS**

#### 38 39 **Section 1. LEGAL BASES.**

40  
41 The legal bases for this rule are Section 5(q) and (r), Section 6 and Section 8 of this  
42 Act, quoted as follows:

43  
44 SEC. 5. Section 4 of Presidential Decree No. 269, as amended, is hereby  
45 further amended to read as follows:

46  
XXX

1  
2 “(q) exercise primary and exclusive jurisdiction in the adjudication of  
3 complaints against electric cooperative officers, election disputes and all  
4 matters relating to the effective implementation of the provisions of this  
5 Act;

6 NOTES:

- 7
- 8 ▪ THE EC'S BY-LAWS IS NOT CONSISTENT WITH THE
  - 9 PROVISIONS OF THE NEA REFORM ACT.
  - 10 ▪ THERE'S A NEED FOR NEA TO ISSUE AN AMENDED ELECTION
  - 11 GUIDELINES
  - 12 ▪ THERE IS AN ISSUE AS TO THE EXPIRATION OF THE TERM OF
  - 13 THE BOARD OF DIRECTORS
  - 14 ▪ CDA RAISED THE NEED TO CONSIDER THE PROVISION OF THE
  - 15 ADR FOR CDA-REGISTERED ECS.
  - 16 ▪ THE NEED TO CLARIFY THE EXTENT OF SUPERVISORY
  - FUNCTIONS OF NEA

17 NEA ACT IRR TWG AGREEMENTS:

- 18
- 19 ▪ TO RECOMMEND TO NEA TO ISSUE A MEMORANDUM FOR ECS
  - 20 TO CONFORM WITH THE LAW (RA 10531) AND TO LOOK AT THE
  - 21 BY-LAWS OF THE ECS.
  - 22 ▪ NEA TO SUBMIT ITS RECOMMENDED ELECTION GUIDELINES
  - 23 FOR BOD SUBJECT TO COMMENTS BY THE TWG. COMMENTS
  - 24 OF THE SUB-TWG SHALL BE SUBMITTED BY MONDAY (JUNE 24,
  - 25 2013).
  - 26 ▪ THERE SHOULD BE A TRANSITION PERIOD IN THE
  - 27 IMPLEMENTATION OF THE GUIDELINES.
  - 28 ▪ TO INCORPORATE THE PROVISIONS OF THE ADR IN THE EC'S
  - 29 BY-LAWS ONLY FOR CDA-REGISTERED ECS
  - 30 ▪ THE EXTENT OF SUPERVISORY FUNCTION OF NEA OVER THE
  - 31 ECS SHALL BE SUPERVISION IN THE OPERATION OF ALL ECS
  - 32 WHETHER CDA-REGISTERED OR NOT. CDA SHALL BE
  - 33 CONFINED TO REGISTRATION OF EC'S AND SOME COROLLARY
  - 34 MATTERS.

35 “(r) as a quasi-judicial agency, deputize local law enforcement agencies to  
36 enforce or implement its orders or decisions, with the power to cite for  
37 contempt any party or witness to any case before it for contumacious  
38 conduct;

1 XXX

2  
3 SEC. 6. A new section, to be designated as Section 4-A, is hereby  
4 inserted under Presidential Decree No. 269, as amended to read as  
5 follows:

6 “SEC. 4-A. *Supervisory Powers of the NEA Over Electric Cooperatives.* –  
7 In the exercise of its power of supervision over electric cooperatives, the  
8 NEA shall have the following powers:

9 “(a) issue orders, rules and regulations, *motu proprio* or upon petition of  
10 third parties, to conduct investigations, referenda and other similar actions  
11 on all matters affecting the electric cooperatives;

12 “(b) appoint independent board of directors in the electric cooperative.

13 “The NEA shall, in the exercise of its supervisory and disciplinary powers  
14 under this Act, strictly observe due process of law.”

15  
16 SEC. 8. A new section, to be designated as Section 4-C, is hereby  
17 inserted under Presidential Decree No. 269, as amended, to read as  
18 follows:

19 “SEC. 4-C. *Injunction or Temporary Restraining Order.* – No injunction or  
20 temporary restraining order shall be issued against the implementation of  
21 any order, ruling or decision of the NEA, except by the Court of Appeals,  
22 and only upon the posting of a bond sufficient to cover the liabilities and  
23 expenditures arising during the pendency of the writ or injunction or  
24 temporary restraining order: *Provided,* That the injunction shall only be  
25 effective for a period not exceeding sixty (60) days.”

26  
27 **Section 2. SCOPE OF QUASI-JUDICIAL FUNCTIONS.**

28  
29 Pursuant to the above-quoted provisions of this Act, the NEA in the exercise of its  
30 quasi-judicial functions, shall have jurisdiction over the following administrative  
31 cases:

32  
33 (1) Cases involving complaints against electric cooperative officers, including  
34 those cases or investigation and other similar actions arising from NEA’s  
35 exercise of its moto-proprio powers as provided in Section 6 of this Act;

36  
37 (2) Election disputes involving any elective officer of an electric cooperative; and  
38

1 (3) Cases or disputes involving any matter relating to the effective implementation  
2 of the provisions of this Act.  
3

4 **Section 3. ELECTRIC COOPERATIVE OFFICERS.**

5  
6 Electric cooperative officers, as used in the two immediately preceding sections shall  
7 be understood to be limited to the following:  
8

- 9 1. Members of the Board of Directors;
- 10 2. The General Manager;
- 11 3. Department Managers;
- 12 4. Area Managers;
- 13 5. Division Chiefs;
- 14 6. Members of the Bids and Awards Committee; and
- 15 7. Other designated/responsible officers with rank equivalent to any  
16 one of those enumerated above.  
17  
18

19 **Section 4. NEA ORDERS, RULINGS OR DECISIONS NOT SUBJECT TO**  
20 **INJUNCTIVE ORDERS.**

21  
22 All orders, rulings, resolutions or decisions promulgated by the NEA, Board of  
23 Administrators or its duly appointed representative whether in the exercise of its  
24 quasi-judicial, rule making or supervisory powers, shall not be the subject of any  
25 injunctive order from the regular courts. Pursuant to Section 8 of this Act, the Court  
26 of Appeals may restrain such orders, rulings or decisions, but only upon the posting  
27 of a bond, sufficient to cover the liabilities and expenditures arising during the  
28 pendency of the writ of injunction or temporary restraining order; provided further,  
29 that such injunction shall only be effective for a period not exceeding sixty (60) days.  
30  
31

32 **RULE IV. STEP-IN RIGHTS**

33  
34 **Section 1. LEGAL BASIS.**

35  
36 The legal basis for this rule is Section 7 of this Act, quoted as follows:  
37

38 SEC. 7. A new section, to be designated as Section 4-B, is hereby  
39 inserted under Presidential Decree No. 269, as amended, to read as  
40 follows:

41 “SEC. 4-B. *Step-in Rights in Cases of Ailing Cooperatives.* – The NEA  
42 shall immediately step-in and take over from its Board the operations of  
43 any ailing electric cooperative. Within a reasonable period after take-over,  
44 the NEA may convert the ailing cooperative to either a stock cooperative  
45 registered with the CDA or a stock corporation registered with the  
46 Securities and Exchange Commission (SEC).

1 “The NEA shall in determining the propriety of the conversion, be guided  
2 by the ability of the member-consumers of said electric cooperative to pay  
3 for their shares in the stock cooperative or stock corporation.

4 “The NEA may appoint or assign third persons to the Board of the electric  
5 cooperative until the NEA decides that the election of a new board of  
6 directors to manage the electric cooperative is necessary. The NEA may  
7 create a management team for the purpose.

8 “The NEA shall, in the exercise of its step-in rights under this Act, strictly  
9 observe due process of law. The step-in rights may only be exercised by  
10 the NEA in case of failure of-the electric cooperative to meet operational  
11 and financial standards set by the NEA or in other analogous instances set  
12 forth in the IRR of this Act.”

13  
14 **Section 2. OBJECTIVE.**

15  
16 NEA shall ensure the financial viability of the electric cooperatives, and take such  
17 preventive measures to maintain the same.

18  
19 To protect the interest of the members-consumers and the public in general, the  
20 NEA shall have the right to intervene to ensure rehabilitation, financial turn-around  
21 and viability of ailing cooperatives.

22  
23 **Section 3. AILING ELECTRIC COOPERATIVES**

24  
25 For the purpose of this Rule, an ailing electric cooperative shall also mean a critically  
26 challenged EC and is defined as one that has no means of meeting its outstanding  
27 obligations due to financial, technical and/or institutional inefficiency.

28  
29 NEA shall declare an EC as an ailing EC when such EC falls under any of the  
30 following circumstances:

- 31  
32 1. Has a negative Net Margin for the last three (3) years. Net Margin shall mean  
33 revenues less operating expenses.  
34  
35 2. Has accumulated 90 days arrears in power bills; -  
36  
37 3. Unable to provide electric service due to technical and/or financial inefficiencies  
38 including, but not limited to, high systems loss, low collection efficiency, below  
39 standard current ratio, operating loss, huge liabilities and/or institutional problems  
40 such as governance, and non-adherence to NEA and EC policies;  
41  
42 4. Unable to efficiently perform its electric distribution utility obligations or continue  
43 in business due to organizational, external and internal factors; and, -  
44

1  
2 5. When an EC has failed to meet other operational standards established by NEA.  
3

#### 4 **SECTION 4. CLASSIFICATION OF AILING COOPERATIVES**

5  
6 4.1 NEA shall categorize ailing ECs into two:  
7

- 8 4.1.1 Those which are “curable” or have a chance to turn-around based on the same  
9 factors of financial, technical and institutional efficiency; and  
10 4.1.2 those which are “incurable” where recovery is impossible on the part of the EC.  
11

#### 12 **SECTION 5. NEA’S EXERCISE OF STEP-IN RIGHTS**

13  
14  
15 The NEA shall immediately step-in and take-over, from its Board, the operations of an ailing  
16 electric cooperative.  
17

18 5.1 For Curable ECs, NEA shall undertake the following measures:  
19

- 20 5.1.1 Require the EC concerned to submit within 30 days a 180-day Recovery  
21 Plan/Action Plan and implement the same within thirty (30) days of approval by  
22 NEA.  
23

24 If after the period of 180 days from the date of implementation of the  
25 Recovery/Action Plan and the EC concerned still fails to reverse the  
26 circumstance, NEA may assign a Project Supervisor (PS) or Project  
27 Supervisor/Acting General Manager (PS/AGM) or Management Team and, to the  
28 extent appropriate, cause the suspension and/or removal and replacement of any  
29 or all of the members of the Board of Directors, officers of employees of the  
30 cooperative.  
31

32 Provided, that NEA shall decide on the matter within 30 calendar days.  
33

- 34 5.1.2 Immediately appoint or assign a PS or PS/AGM or assign third persons to the  
35 Board of electric cooperative until the NEA decides that the election of a new  
36 Board of Directors to lead the electric cooperative is necessary. The NEA may  
37 also create a management team for the purpose.  
38

- 39  
40 5.1.3 In case of organizational and/or internal conflicts as provided under circumstance  
41 (3) in Sec. 4-B of this IRR, the NEA shall give the CDA or other appropriate  
42 government agency where the electric cooperative is legally registered, the  
43 opportunity to resolve or take remedial measures without prejudice to the  
44 exercise of its step-in-rights.  
45

46 **NOTE: AMRECO PROPOSED TO DELETE THE PRECEDING PROVISION , AND**  
47 **IF NOT, INSERT THE WORD “LEGALLY” BEFORE THE WORD REGISTERED**  
48

- 49 5.1.4 The concerned EC with the assistance and guidance of NEA may enter into a  
50 Private Sector Participation (PSP), under any of the following frameworks:  
51 5.1.4.1 Joint Venture;

- 1 5.1.4.2 Investment Management Contract;
- 2 5.1.4.3 Management Contract;
- 3 5.1.4.4 Operations and Maintenance Contract;
- 4 5.1.4.5 Special Equipment and Materials Lease Agreement;
- 5 5.1.4.6 Concession; and
- 6 5.1.4.7 Merger and Consolidation.

7 5.2 For incurable ECs, the NEA shall undertake the following measures:

8  
9 5.2.1 Immediately appoint or assign a PS or PSAGM or assign third persons to the  
10 Board of electric cooperative until the NEA decides that the election of a new  
11 Board of Directors to lead the electric cooperative is necessary. The NEA may  
12 also create a management team for the purpose;

13  
14 5.2.2 In case of organizational and/or internal conflicts as provided under circumstance  
15 (5) in Sec. 4-B of this IRR, the NEA shall give the CDA or other appropriate  
16 government agency where the electric cooperative is registered, the opportunity  
17 to resolve or take remedial measures without prejudice to the exercise of its step-  
18 in-rights;

19  
20 5.2.3 The concerned EC with the guidance of NEA may enter into a Private Sector  
21 Participation (PSP), under any of the following frameworks:

- 22 5.2.3.1 Joint Venture;
- 23 5.2.3.2 Investment Management Contract;
- 24 5.2.3.3 Management Contract;
- 25 5.2.3.4 Operations and Maintenance Contract;
- 26 5.2.3.5 Special Equipment and Materials Lease Agreement;
- 27 5.2.3.6 Concession; and
- 28 5.2.3.7 Merger and Consolidation.

29  
30  
31 If circumstances warrant and provided that the EC has failed to meet any  
32 operational or financial standard set by NEA, the NEA may on behalf of the EC,  
33 enter into an Investment Management Contract (IMC) or other form of PSP in  
34 order to immediately address pressing as well as long-term problems of the EC. It  
35 shall be the duty of the concerned EC to faithfully observe and comply with the  
36 terms and conditions of such IMC or other form of PSP;

37  
38 5.2.4 If within a reasonable period, not exceeding one (1) year from its take-over, the  
39 NEA determines that such electric cooperative is unable to continue its operation  
40 in the ordinary course of business, it may initiate structural reforms such as  
41 conversion of the ailing cooperative to either a stock cooperative registered with  
42 the CDA or a stock corporation registered with the Securities and Exchange  
43 Commission (SEC);



1 5.2.5 NEA may institute appropriate legal actions such as Extra-judicial Foreclosure  
2 and Insolvency (Voluntary/Involuntary) and Bankruptcy proceedings;  
3

#### 4 **Section 6. MONITORING AND REPORTING**

5  
6 NEA shall have a monitoring team to be composed of \_\_\_\_\_ to require  
7 monthly submission and monitoring of the following:  
8

- 9 6.1 List and Status of Ailing ECs;
- 10 6.2 Report of PS/PSAGM on the ECs assigned to him/her;
- 11 6.3 Recovery/Action Plan of curable ECs;
- 12 6.4 Report on ECs that have entered with any variants of PSP; and
- 13 6.5 Other reports that may be required by NEA

### 14 15 16 **RULE V. EC GENERATING FACILITIES**

#### 17 18 **Section 1. LEGAL BASIS.**

19  
20 The legal basis for this rule is Section 9 of RA 10531, as amended

21  
22 SEC. 9. Section 16, Paragraph (j), of Presidential Decree No. 269, as amended, is hereby  
23 further amended, to read as follows:  
24

25 “SEC. 16. *Powers.* – A cooperative is hereby vested with all powers necessary or  
26 convenient for the accomplishment of its corporate purpose and capable of being  
27 delegated by the President or the National Assembly when it comes into existence;  
28 and no enumeration of particular powers hereby granted shall be construed to impair  
29 any general grant of power herein contained, nor to limit any such grant to a power  
30 or powers of the same class as those so enumerated. Such powers shall include, but  
31 not be limited to, the power:

32 “x x x

33 “(j) To construct, acquire, own, operate and maintain electric subtransmission and  
34 distribution lines along, upon, under and across publicly owned lands and public  
35 thoroughfares, including, without limitation, all roads, highways, streets, alleys,  
36 bridges and causeways. In the event of the need of such lands and thoroughfares for  
37 the primary purpose of the government, the electric cooperative shall be properly  
38 compensated;

39 “(j-1) To construct, acquire, own, operate and maintain generating facilities within its  
40 franchise area. In pursuance thereof, where an electric cooperative participates in a  
41 bid on an existing NPC-SPUG generating facility, its qualified bid shall be given  
42 preference in case of a tie: *Provided, however,* That in cases where there is no other  
43 qualified bidder, the lone bid shall remain as valid basis for the determination of the  
44 final award subject to the following conditions:

1 “(a) bid offer is not lower than the valuation of the assets using Commission on Audit  
2 (COA) rules and regulations;

3 “(b) electric cooperative is prepared to fully take over the generation function of the  
4 area from the NPC-SPUG; and

5 “(c) electric cooperative submits its graduation program from the Universal Charge  
6 for Missionary Electrification (UC-ME) subsidy.

7  
8 Provided that the DOE and NEA shall promulgate the necessary policy issuances to  
9 implement this provision.

10 .  
11 NOTE: THE SUBSEQUENT PARAGRAPHS (a) to (e) iii, ARE FOR FURTHER  
12 DISCUSSIONS BY THE NEA ACT IRR TWG TO FORMULATE TWO (2) RULES  
13 COVERING (1) CONSTRUCTION and (2) ACQUISITION WHICH APPLIES TO AN  
14 EXISTING GENERATION FACILITY, SUBJECT TO THE BID CONDITIONS.

15  
16 (a) The engagement of an electric cooperative in the generation business shall ensure the  
17 quality of electricity service pursuant to the standards provided in the Grid Code and  
18 Distribution Code.

19  
20 (b) The generation business of an electric cooperative shall contribute to greater efficiency  
21 and lower cost of operations of an electric cooperative.

22  
23 (c) In order to have the financial flexibility and right structure to engage sustainably in the  
24 business of generation of electric power supply within its franchise area, an electric  
25 cooperative is encouraged to explore continuously and independently if it should be a  
26 non-stock cooperative, stock cooperative or stock corporation.

27  
28 (d) Electric cooperatives, which have contiguous franchise areas or share a common sub-  
29 transmission line, may form a consortium or partnership in order to become financially  
30 and technical capable to engage in the business of generation of electricity supply.

31  
32 (e) If an electric cooperative offers to fully take over the generation function in an off-grid  
33 area through the purchase or lease of the generation facility of NPC-SPUG, its offer shall  
34 be valid if it meets the following conditions:

35  
36 (i) The offer optimizes the valuation of the generation facility of NPC-SPUG using  
37 Commission on Audit (COA) rules and regulations.

38 (ii) An electric cooperative has the technical, financial and institutional capability to  
39 provide the full supply of electric power in the area as confirmed by NEA.

40 (iii) The offer commits a program that will realize the reduction in and graduation from the  
41 Universal Charge for Missionary Electrification subsidy.

42  
43  
44 **Section 2. SCOPE.**

45  
46 All ECs getting power from the main grid and in the SPUG areas.

47  
48 **Section 3. GUIDELINES.**

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3.1 ECs shall be allowed to construct, acquire, own, operate and maintain generating facilities subject to approval of the ERC and the conduct of system impact study by the NGCP: Provided, That such generating facilities shall supply not more than 50 percent of their total demand upon the operation of said generating facility.

NOTE: NGCP SUGGEST TO LIMIT THE CAPACITY UP TO 20 MW FOR GRID CONNECTED ECs

3.2 The generating facilities shall be embedded within the EC distribution facilities and shall be primarily intended to supply the power requirement of the EC.

3.3 ECs may likewise endeavor to facilitate the construction of non-embedded generation to provide, but not limited to, service to isolated load within its franchise or develop Renewable Energy resource within its franchise.

NOTE: REVISIT POSSIBLE CONFLICT WITH 3.1

3.4 ECs may be allowed to supply the additional electricity requirement of the nearby Distribution Utilities/ECs subject to applicable Rules and Regulations.

3.5 ECs shall be given the preference or the right of first refusal to develop, operate and maintain any available Indigenous and Renewable Energy resources in their respective area of operations without prejudice to entities that already has certificates to construct and operate within their franchise.

NOTE: REVISIT THE PROVISION TO CONSIDER:

- WHICH ENTITY PROVIDES THE APPROVAL?
- CONSISTENCY WITH THE RE ACT AND ITS IRR E.G. AWARDING OF SERVICE CONTRACTS

3.6 ECs serving Small Grid shall be afforded equal access to UCME vis-a-vis what the NPC-SPUG is receiving on its operation in the same area where ECs are operating.

NOTE: NO LEGAL BASIS

3.7 Island ECs shall be allowed the full take-over of the operation of NPC-SPUG without any restriction to capacity limitation versus the demand of the island grid.

COMMENT: NOT CONSISTENT WITH EPIRA AND DOE CIRCULAR 2004-01-001

COMMENT: THERE IS NO INCONSISTENCY WITH THE EPIRA PROVISIONS

PSP IS UNDER EPIRA WHILE EC GENERATION IS A NEW LAW

3.8 ECs shall be allowed to engage in a joint venture agreement with other eligible parties for the establishment of power generating facilities.

3.9 ECs that will own, operate and maintain renewable energy resources shall not lose any privilege and incentive in RA 9513, particularly the provisions of Chapter VII and its related provisions in the IRR of the said law.

3.10 The NEA shall provide the necessary financial, institutional and technical assistance to ECs that are capable and opt to construct, acquire, own, operate and/or maintain generating facilities.

1 3.11 Construction and operation of generating facilities within an EC shall be subject  
2 to the requirements of the Philippine Grid Code, Philippine Distribution Code  
3 and other relevant Codes and Rules.

4 Likewise, a copy of the results of the Distribution Impact Study made, if  
5 applicable, shall be provided to the System Operator.

6 3.12 Any plans and activities of ECs to construct, acquire, own, operate a generating  
7 facility shall be included in the annual submission of DDPs.

8 3.13 Monthly operation and performance of generating facilities within an EC shall  
9 be reported to the NEA, DOE, and ERC every 7<sup>th</sup> day of the succeeding month.

## 10 11 12 13 **RULE VI. EC GOVERNANCE**

### 14 15 **Section 1. LEGAL BASES.**

16  
17 The legal bases for this rule are Sections 10 and 11 of R.A. 10531.

### 18 19 **Section 2. OBJECTIVE.**

20  
21 The independence of the Board of Directors and Officers of Electric Cooperatives .is vital to  
22 ensure the long-term business and economic viability of electric cooperatives, the  
23 management, operations and strategic planning of electric cooperatives shall, as much as  
24 practicable, be insulated from local politics.

25  
26 Further, to ensure that the management and operations of electric cooperatives are carried  
27 out with due regard to its economic viability, the NEA shall prescribe, pass upon and review  
28 the qualifications and disqualifications of individuals appointed or elected to electric  
29 cooperatives and disqualify those found unfit.

### 30 31 **Section 3. QUALIFICATIONS OF A DIRECTOR.**

32  
33 3.1 The Board of Directors is the collegial body composed of  
34 representatives elected from each district to promulgate policies, rules  
35 and regulations necessary for the viable operation of the electric  
36 cooperative, and exercise its corporate power.

37  
38 3.2 Pursuant to Section 11 of R.A. No. 10531, the following are the qualifications  
39 of the Board of Directors and Officers of an Electric Cooperative. A  
40 candidate's integrity, experience, education, competence and probity shall be  
41 considered in determining whether he/she shall be fit and proper to become a  
42 director or officer of the electric cooperative. For this purpose, the minimum  
43 qualifications of a director or officer of the electric cooperative shall be as  
44 follows:

45  
46 3.2.1 He or she is a Filipino citizen;

47  
48 3.2.2 He or she is a graduate of a 4-year course ;

1 3.2.3 He or she should at least be twenty-one (21) years old and not  
2 over seventy (70) years old on the date of election;

3 3.2.4 He or she is of good moral character;

4 3.2.5 He or she is a member of the electric cooperative in good  
5 standing for the last five (5) years immediately preceding the  
6 election or appointment and shall continue to be a member in  
7 good standing during his or her incumbency;

8  
9 A member of good standing shall mean that said member:

10  
11 3.2.5.1 must have no unsettled or outstanding obligations to the  
12 cooperative during his membership in the cooperative  
13 whether personal or through commercial or industrial  
14 connections of which he or she is the owner/co-owner;

15 -  
16 An unsettled or outstanding obligation is an account which  
17 has not been paid within seven (7) days after the due  
18 date. For incumbent member of the Board who will seek  
19 reelection, unsettled or outstanding obligation includes  
20 power bills, cash advances, disallowances (including NEA  
21 audit findings) and materials and equipment issuances. At  
22 any given time during his membership in the cooperative,  
23 he or she must be totally free of any unsettled or  
24 outstanding indebtedness and/or disallowances with the  
25 electric cooperative.  
26

27 3.2.5.2 has not been apprehended for electric pilferage; and,  
28 -

29 A mere apprehension of electric pilferage by the  
30 electric cooperative, even without conviction for such  
31 offense by any court, shall be a valid ground for  
32 disqualification. The word "apprehension" should be  
33 taken in the strict context as used in Republic Act No.  
34 7832, otherwise known as "Anti-Electricity and Electric  
35 Transmission Lines or Materials Pilferage Act of 1994",  
36 which means that a person is caught *flagrante delicto*  
37 for violating the provision of said Act;  
38

39 3.2.5.3 has not been removed for cause as director or an  
40 employee from any electric cooperative;

41  
42 In general, removal or termination of service from the  
43 electric cooperative is caused by a grave offense or  
44 violation/s of policies, rules and regulations. A former  
45 director or employee with a record of  
46 termination/removal for cause from public office or for  
47 just cause as defined in Article 282 of the Labor Code  
48 as amended, shall not be qualified to be elected or  
49 appointed as director of an Electric Cooperative.  
50

1 3.2.6 He or she is an actual resident and consumer in the district that  
2 he or she seeks to represent for at least two (2) years  
3 immediately preceding the election; and  
4

5 3.2.7 He or she has attended at least two (2) Annual General  
6 Membership Assemblies (AGMA) for the last five (5) years  
7 immediately preceding the election or appointment.  
8  
9

#### 10 **Section 4. DISQUALIFICATION OF A DIRECTOR.**

11 A person shall be ineligible to be elected or be appointed as member of the board of  
12 **directors** or officers electric cooperative:  
13  
14 :

15  
16 4.1 Such person or his or her spouse holds any public office;  
17

18 For this purpose, public office refers to any position which  
19 requires the performance of public functions / duties of  
20 government by virtue of direct provision of law, popular  
21 election, or appointment by competent authority.  
22 Appointive office shall mean co-terminus position with the  
23 appointing authority;  
24

25 4.2 Such person or his or her spouse has been a candidate in  
26 the last preceding local or national elections;  
27

28 4.3 Such person has been convicted by final judgment of a  
29 crime involving moral turpitude;  
30

31 4.4 Such person has been terminated from public  
32 office/government employment or private employment for  
33 just cause as defined in Article 282 of the Labor Code;  
34 For this purpose, termination from public office shall mean  
35 removal.

36 Such person is related to any member of the electric  
37 cooperative Board of Directors, Department Manager,  
38 NEA-appointed Project Supervisor/Acting General  
39 Manager and its equivalent or higher position within the  
40 fourth civil degree of consanguinity or affinity; and,  
41

42 4.5 Such person is employed by or financially interested in a  
43 competing enterprise or a business selling electric energy  
44 or electrical hardware to the cooperative or doing business  
45 with the cooperative, including the use or rental of poles.  
46

1                   Doing business refers to the transactions related to the  
2                   core or main line of business of the electric cooperative.  
3  
4

5  
6   **Section 5. SUSPENSION OR REMOVAL OF A DIRECTOR OR OFFICER.**  
7

8   5.1 The NEA may, after due notice to the Board of Directors and Officers of  
9       the electric cooperative, disqualify, suspend or remove any Director or  
10      Officer, who commits any act which renders him or her unfit for the  
11      position in accordance with the standards of NEA;  
12

13   5.2 An EC director, in order to continue as such director, must continue to  
14      possess all the qualifications and none of the disqualifications of a  
15      director throughout his/her term or tenure of office; and,  
16

17   5.3 The proceedings herein may be undertaken *motu proprio* or through a  
18      complaint initiated against the Director or Officer.  
19  
20

21   **RULE VII. REGISTRATION OF ELECTRIC COOPERATIVES, ITS EFFECTS AND**  
22                   **INCENTIVES**  
23

24   **Section 1. LEGAL BASES.**  
25

26   The legal bases for this rule are Sections 12 and 13 of R.A. 10531.

27       “Sec. 12. Section 32 of Presidential Decree No. 269, as amended, is  
28      hereby further amended to read as follows:”  
29

30                   “SEC. 32. Registration of All Electric Cooperatives. - All electric  
31      cooperatives may choose to remain as a non-stock, non-profit  
32      cooperative or convert into and register as: (a) a stock cooperative  
33      under the Cooperative Development Authority (CDA); or (b) a stock  
34      corporation under the Securities and Exchange Commission (SEC), in  
35      accordance with the guidelines to be included in the Implementing  
36      Rules and Regulations (IRR) of this Act.  
37

38                   “Such choice shall carry with it the attendant requirements of  
39      compliance with the laws and regulatory guidelines governing the  
40      respective government agencies having jurisdiction over their  
41      registration.  
42

43                   “Regardless of the choice made, the NEA shall have the  
44      authority over electric cooperatives, whether stock or non-stock, to  
45      require the submission of reportorial requirements as may be  
46      necessary relative to their operations as electric distribution utilities,  
47      including but not limited to:  
48

49                   “(a) monthly Financial and Statistical Report (MFSR);

- 1 “(b) monthly separate MFSR, Monthly Engineering Report  
2 (MER) and barangay and sitio electrification report  
3 for electric cooperatives on grid with isolated area/s  
4 served by NPC-SPUG;  
5 “(c) monthly status of barangay and *sitio* energization  
6 and house connections;  
7 “(d) monthly Institutional Services Department (ISD)  
8 report;  
9 “(e) monthly Performance Standard Monitoring Report  
10 (PSMR);  
11 “(f) monthly summary of complaints received and acted  
12 upon;  
13 “(g) monthly report on compliance with the Grid and  
14 Distribution Code;  
15 “(h) Monthly Engineering Report (MER);  
16 “(i) quarterly report on power supply contracts;  
17 “(j) annual work plan;  
18 “(k) annual Distribution Development Plan (DDP);  
19 “(l) five (5)-year investment plan submitted annually;  
20 “(m) annual Cash Operating Budget (COB);  
21 “(n) audited financial statements;  
22 “(o) annual Collective Bargaining Agreement (CBA) or  
23 “Collective Negotiation Agreement (CNA);  
24 “(p) copy of Capital Expenditure (CAPEX) and Operating  
25 Expenditure (OPEX) plans.  
26

27 “Likewise, the supervisory and oversight functions of the NEA,  
28 as may be detailed in this act and its IRR, shall be applicable to both  
29 stock and non-stock cooperatives.  
30

31 “Electric cooperatives which register with the CDA shall continue  
32 to enjoy the benefits under this Act.  
33

34 “Existing electric cooperatives may likewise opt to register as  
35 stock corporations with the Securities and Exchange Commission  
36 (SEC): *Provided, however,* That electric cooperatives registered with  
37 the SEC shall no longer enjoy the incentives provided for in this Act.  
38

39 “Despite the registration of the electric cooperatives under the  
40 CDA or SEC, the NEA shall retain its supervisory and disciplinary  
41 power over them in the conduct of its operation as electric distribution  
42 utilities.”  
43

44  
45 “Sec. 13. A new Section, to be designated as Section 32-A, of  
46 Presidential Decree No. 269, as amended, is hereby inserted to read as  
47 follows:”  
48



1 "SEC. 32-A. *Incentives of Electric Cooperatives.*- Consistent  
2 with the declared policy of this Act, electric cooperatives which comply  
3 with the financial and operational standards set by the NEA shall enjoy  
4 the following incentives:

5  
6 "(a) To be entitled to congressional allocations, grants, subsidies  
7 and other financial assistance for rural electrification;

8  
9 "(b) To receive all subsidies, grants, and other assistance which  
10 shall form part of the donated capital and funds of the electric  
11 cooperatives, and as such, it shall not be sold, traded nor divided into  
12 share holdings at any time. These donated capital and funds shall be  
13 appraised and valued for the sole purpose of determining the equity  
14 participation of the members; *provided*, that in case of dissolution or  
15 conversion of the electric cooperative, said donated capital and funds  
16 shall be subject to escheat; and

17  
18 "(c) To avail of the preferential rights granted to cooperatives  
19 under Republic Act No. 7160, otherwise known as the "Local  
20 Government Code", and other related laws.

21  
22 "As a further incentive, the NEA may prioritize the grant of  
23 incentives in favor of electric cooperatives that are managed effectively  
24 and efficiently and comply consistently with its mandates and  
25 directives."  
26

## 27 28 **Section 2. SCOPE.**

29  
30 This rule shall be applicable to all electric cooperatives which may chose to convert  
31 into and register as non-stock, non-profit cooperative or convert into and register as:  
32 (a) a stock cooperative under the Cooperative Development Authority (CDA); or (b) a  
33 stock corporation under the Securities and Exchange Commission (SEC).  
34

## 35 36 **Section 3. CONVERSION GUIDELINES.**

37  
38 (a) **Information Education Campaign (IEC).** Before any  
39 referendum for conversion of an EC to stock cooperative or  
40 stock corporation, the Board of Directors and the  
41 Management of the EC, shall ensure to develop and jointly  
42 undertake in coordination of the NEA, CDA, SEC,  
43 PHILFECO and PHILRECA, a massive information-  
44 education campaign in the district level within the EC's  
45 franchise area, in order to educate, inform the member-  
46 consumers of the advantages and disadvantages as well as  
47 the benefits and limitations of a non stock EC vis-a-vis an EC  
48 converted into either stock cooperative or Stock  
49 Corporation. In this information-education campaign,

1 member-consumers should understand their rights, duties  
2 and obligation once their EC converted to stock cooperative  
3 or Stock Corporation as compared to an EC that chooses to  
4 remain non stock under the P.D. 269 as amended.

5  
6 The NEA, CDA, SEC, PHILFECO and PHILRECA shall  
7 jointly develop and a massive information and education  
8 campaign in the district level within the ECs, coverage area  
9 before any referendum for the electric cooperative to convert  
10 to a stock is made.

11  
12 (b) **Membership Meetings.** At any single time, membership  
13 meetings can take the form of a General Assembly or a  
14 District Meeting.

15  
16 (c) **Methods of Conducts of Membership Meeting and**  
17 **Referendum.** For the purpose of consulting with the bona  
18 fide member-consumers on whether to convert or not, the  
19 series of District Meetings shall be undertaken in either of the  
20 two ways:

21  
22 (1) Simultaneously - wherein meetings are held on the  
23 same day at various venues (barangay); or

24  
25 (2) Sequentially - wherein meetings are held one after  
26 the other in different venues (barangays).

27  
28 (d) **Notice of Membership Meeting.** At least 20 days before  
29 the scheduled meeting, all the bona fide member-consumers  
30 in the district shall be notified through print and broadcast  
31 media **and other means of communication**. In addition, the  
32 complete information on the said meeting will be mailed or  
33 delivered to the addresses of the member-consumers.  
34 Likewise, the said notice shall be posted in strategic places  
35 within the district.

36  
37 (e) **Master list of Voters.** A sanitized Master list of bona fide  
38 member-consumers entitled to vote in each district shall be  
39 prepared by the EC Institutional Services Department or its  
40 equivalent department. Such list shall be the basis for  
41 determining the attendance or turn out of voters in each  
42 meeting held, whether simultaneous or sequential.

43  
44 (f) **Required Number of Votes for Conversion.** The approval  
45 of at least a simple majority, or fifty percentum (50%) plus  
46 one (1), of all members entitle to vote of the EC, shall be  
47 considered a valid decision for conversion.  
48

1 (g) **Voting System.** Each bona fide member-consumer shall be  
2 entitled to one (1) vote. The voting shall be done through  
3 secret balloting, and no proxy voting shall be allowed.  
4

5 (h) **Over-all Decision.** The final decision on the issue on  
6 conversion, on whether or not the coop will convert, will be  
7 based on the majority decision as called from the result of  
8 the general assembly, or the cumulative results of the district  
9 assembly meetings, as the case may be. Provided that such  
10 conduct of referendum for referendum may only be  
11 conducted ten (10) years from the last conducted  
12 referendum.  
13  
14

#### 15 **Section 4. CONVERSION REQUIREMENTS**

16  
17 In addition to the provisions of RA No. 9520 and Batas Pambansa Blg. 128, the ECs  
18 must comply with the provisions of Sec. 7 (c) (i) of the IRR on RA 9136: "The  
19 conversion and registration of ECs shall be implemented in the following manner: (i)  
20 ECs shall, upon approval of a simple majority of the required number of turnout of  
21 voters as provided in the Guidelines in the Conduct of Referendum (Guidelines), in a  
22 referendum conducted for such purpose, be converted into a Stock Cooperative or  
23 Stock Corporation and thereafter shall be governed by the Cooperative Code of the  
24 Philippines or the Corporation Code, as the case may be. xxx"  
25  
26

#### 27 **Section 5. PROCEDURE/MECHANICS.**

28  
29 (a) The Board of Directors shall pass a Board Resolution scheduling the  
30 district/s, date/s, venue/s and time of the assembly/meetings. Likewise,  
31 the Board of Directors shall appropriate the corresponding budget for the  
32 program/activities.  
33

34 (b) The concerned departments, spearheaded by the ISD – Institutional  
35 Services Department of the coop shall prepare and execute the  
36 requirements set under the said resolution.  
37

38 (c) In not less than twenty five (25) days before the General Assembly or  
39 District Meetings, the Institutional Services Department or its equivalent  
40 department shall prepare the Sanitized Master list of Voters in alphabetical  
41 order and classified according to barangays to facilitate registration and  
42 voting; and;  
43

44 (d) The Board Member of the concerned District shall be responsible for  
45 ensuring the success of the assembly/referendum/meeting in the said  
46 district. Likewise, he shall preside in the district assembly meeting/s.  
47

1 (e) Determination of Attendance - Only the bona fide member-consumers  
2 whose names are listed in the sanitized master list of voters prepared by  
3 the cooperative shall be allowed to vote.  
4

5 (f) Where meetings are held simultaneously (meetings held on the same day  
6 at various venues/barangays), the total number of votes shall be  
7 determined on a cumulative basis.  
8

9 (g) Where meetings are held sequentially (meetings held one after the other in  
10 different days in different venues/barangays), the same procedure shall be  
11 followed.  
12

13 (h) For all the meetings conducted regardless of the Procedure/Mechanics  
14 applied, the Presiding Officer shall introduce and present to the assembly  
15 the issues related to conversion, such as the following:  
16

- 17 (1) Historical profile of the coop;
- 18 (2) The advantages/disadvantages of each of the three options;
- 19 (3) Open Forum;
- 20 (4) Casting of votes;
- 21 (5) Declaration of the results of voting by the Presiding Officer;
- 22 (6) Adjournment.

23  
24 (i) Documentation

25  
26 (1) Preparation of the minutes of meeting indicating the  
27 highlights, particularly the over-all decision of the  
28 bonafide member-consumers whether to convert or not.  
29

30 (2) Regardless of the results of the voting, a Certificate of  
31 Membership Decision to convert or not, indicating the  
32 over-all decisions of the bona fide member-consumers of  
33 the EC and certifying the truthfulness and veracity of the  
34 statements therein, shall be executed and attested on  
35 behalf of the EC by its Board President or Board Vice-  
36 President.  
37  
38

## 39 **Section 6. SUBMISSION OF REPORTORIAL REQUIREMENTS.**

40  
41 Regardless of the choice made, the electric cooperatives, whether stock or non-  
42 stock, shall comply with the reportorial requirements of NEA as may be necessary  
43 relative to their operations as electric distribution utilities, including but not limited to:  
44

- 45 a. Monthly financial and statistical reports (MFSR);
- 46 b. Monthly separate MFSR, monthly engineering report (MER)  
47 and barangay and sitio electrification report for electric  
48 cooperatives on grid with isolated areas served by NPC -  
49 SPUG;

- c. Monthly status of barangay and sitio energization and house connections
- d. Monthly institutional services department (ISD) report
- e. Monthly performance standard monitoring report (PSMR)
- f. Monthly summary of complaints received and acted upon
- g. Monthly report on compliance with the Grid and Distribution Code;
- h. Quarterly report on power supply contracts;
- i. Annual work plan;
- j. Annual distribution development plan (DDP);
- k. 5-year investment plan submitted annually;
- l. Annual cash operating budget (COB);
- m. Audited financial statements;
- n. Annual collective bargaining agreement (CBA) or Collective Negotiation Agreement (CNA);
- o. Copy of capital expenditure (CAPEX) and operating expenditure (OPEX) plans;

For this purpose, NEA shall prepare monthly and quarterly assessment reports on the abovementioned information. Said reports shall be submitted by NEA to the DOE for inclusion to the EPIRA Implementation Status Report and Power Development Program.

## **RULE VIII. FINAL PROVISIONS**

### **Section 1. CONGRESSIONAL OVERSIGHT**

In order to facilitate the exercise of oversight powers of the Joint Congressional Power Commission (JCPC) over the implementation of the National Electrification Administration Reform Act of 2013, the Board of Administrators shall submit to the JCPC a semi-annual report on the initiatives and activities on rural electrification, including the supervision of NEA over the electric cooperatives of the performance of their franchise obligation. The report will be separate from but consistent with the semi-annual report on the implementation of Republic Act No. 9136, Electric Power Industry Reform Act of 2001, that Department of Energy submits to the JCPC on or before the last week of April and October of each year.

### **Section 2. SEPARABILITY CLAUSE**

Should any provision in these rules be subsequently declared unconstitutional, the same shall not affect the validity or the legality of the other provisions.

### **Section 3. . EFFECTIVITY**

These Rules shall take effect on the fifteenth (15<sup>th</sup>) day from the date of its publication in the Official Gazette or in at least two newspapers of general circulation.

\_\_\_\_\_2013, Fort Bonifacio, Taguig, Metro Manila.