



## PERFORMANCE AGREEMENT

This Performance Agreement has been executed pursuant to the PERFORMANCE EVALUATION SYSTEM FOR THE GOCC SECTOR (GCG MC No. 2013-02) between the --

GOVERNANCE COMMISSION FOR GOCCs (GCG)

- and -

NATIONAL TRANSMISSION CORPORATION (TRANSCO)

WITNESSETH: THAT --

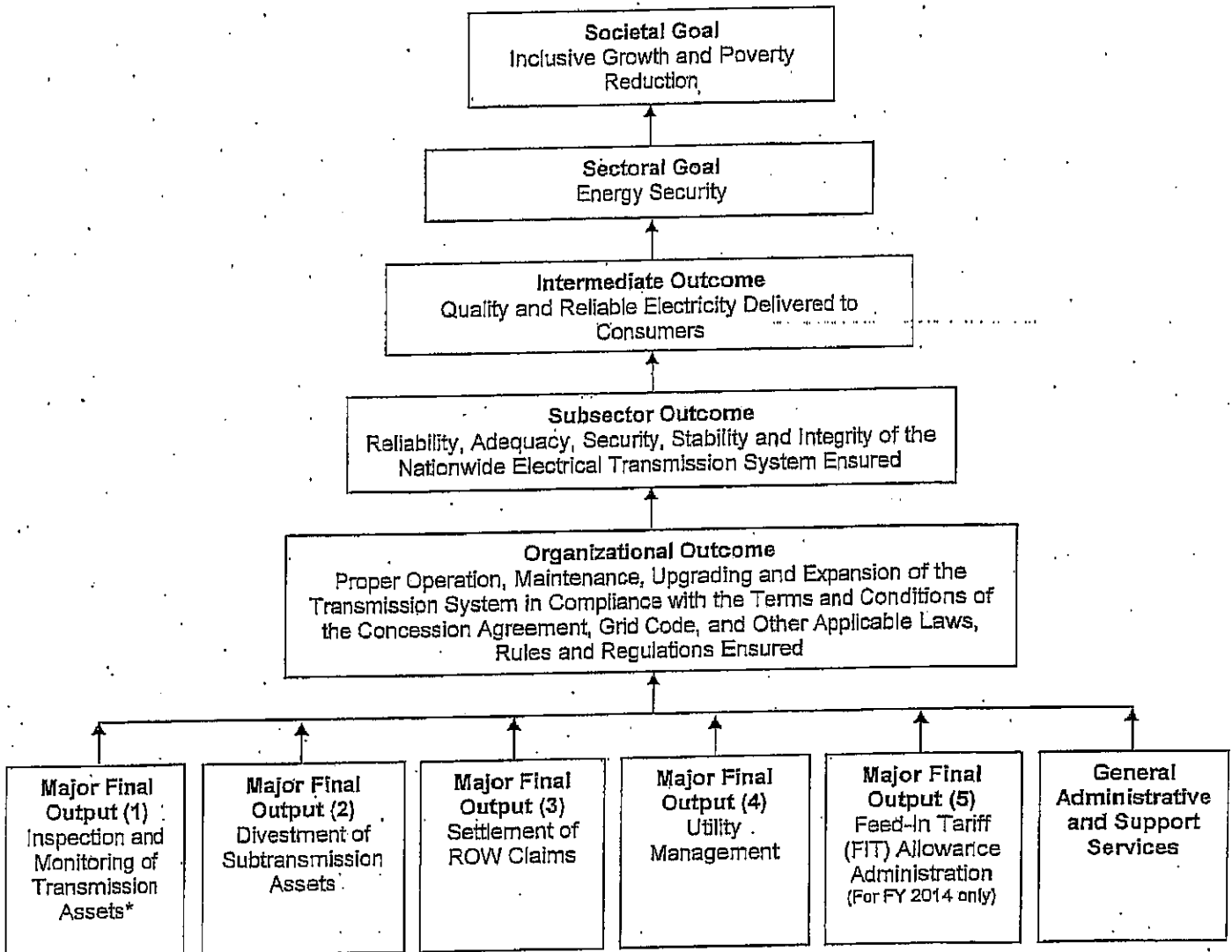
The Parties agree to the following terms:

1. **Period.** -- This Agreement shall be effective for a period of two (2) calendar years beginning from the execution of this agreement and ending on 31 December 2014.
2. **Charter Statement and OPIF Logframe.** -- TRANSCO's Charter Statement and OPIF Logframe for the Period specified in Section 1 hereof, shall be as follows:

**Mission:** We are the National Transmission Corporation, owner of the nation's transmission assets, mandated to ensure the proper operation, maintenance, upgrading and expansion of the transmission system thereby contributing to the delivery of quality and reliable electricity to consumers.

**Vision:** We are a highly valued pillar of the power industry. We embody excellence, professionalism and integrity in carrying out our mandated roles and responsibilities in partnership with all stakeholders.

**OPIF LOGFRAME 2013-2014**



\*The Inspection and Monitoring of Transmission Assets are focused on the Compliance of Concessionaire with the Concession Agreement, Grid Code and Other Applicable Laws, Rules and Regulations.

3. **Measurement of Performance.** – Based on TRANSCO's Interim Performance Scorecard (PES Form 1) attached hereto as *Annex A*, the evaluation of TRANSCO's performance for 2013-2014 shall be based on the following Measures/Performance Indicators and Annual Targets, to wit:

Major Final Output	Performance Indicators <sup>a</sup>	Weight		Baseline			Annual Targets	
		2013	2014	2010	2011	2012	2013	2014
Monitoring of Concessionaire's Compliance with the Concession Agreement, Grid Code and Other Applicable Laws, Rules and Regulations	No. of Inspection Conducted in Accordance with the Annual Inspection Schedule, and Aligned with the Board Approved COB <sup>b</sup> Duly Submitted to DOE and PSALM, and Issuance of a Certification Therefrom	12.5%	12.5%	17	44	41	55	61
	Percent of Observations Acknowledged by the National Grid Corporation of the Philippines (NGCP)	17.5%	17.5%	94%	92.28%	95.73%	98%	100%
<b>Subtotal of Weights</b>		<b>30%</b>	<b>30%</b>					
Divestment of Subtransmission Assets	Signed Negotiated Sales Contracts with the Distribution Utility (DU) in Compliance with Rule 6, Section 8e of EPIRA IRR Mandate	8%	8%	19 (63%)	18 (77%)	4 (80%)	4 (83%)	4 (86%)
	No. of Joint Applications Filed with the ERC with DUs Complying with All the Documents Within the Deadline	6%	6%	8	3	10	10	10
	Amount of Sale Packages	6%	6%	₱739M (₱4,087B)	₱1,232B (₱5,320B)	₱428M <sup>c</sup> (₱5,748B)	₱100M (₱5,848B)	₱100M (₱5,948B)
<b>Subtotal of Weights</b>		<b>20%</b>	<b>20%</b>					
Settlement of ROW Claims	No. of ROW Claims/Cases Approved for Settlement/ Expropriation Cases Initiated	10%	10%	16	28	21	24	26
	No. of ROW Claims Validated	10%	10%	60	111	121	135	159
	Length of Transmission Lines Surveyed (In km)	10%	10%	20.8	45.75	51.07	60	66
<b>Subtotal of Weights</b>		<b>30%</b>	<b>30%</b>					
Utility Management	System Loss (%)	5%	4%	1.780%	1.680%	1.75%	1.68%	1.60%
	Availability Factor (%) <sup>d</sup>	10%	3%	99.86%	99.88%	99.96%	100%	100%
	Collection Efficiency (%)	5%	3%	98.69%	99.22%	98.47%	98.79%	99%
<b>Subtotal of Weights</b>		<b>20%</b>	<b>10%</b>					
Feed-In Tariff Allowance (FIT All) Administration <sup>e</sup>	Collection Efficiency (%)	N/A	5%	N/A	N/A	N/A	N/A	For renegotiation <sup>f</sup>
	Timely Release of Payments to Renewable Energy (RE) Developers	N/A	5%	N/A	N/A	N/A	N/A	For renegotiation <sup>f</sup>
<b>Subtotal of Weights</b>			<b>10%</b>					
<b>TOTAL OF WEIGHTS</b>		<b>100%</b>	<b>100%</b>					

<sup>a</sup> See formulas and data provider on Annex A.

<sup>b</sup> Including Existing Transmission Facilities, Projects-Under-Construction (PUC) and New Projects.

<sup>c</sup> Excludes the amount of waived subtransmission assets.

<sup>d</sup> Net of force majeure.

<sup>e</sup> Republic Act No. 8913, otherwise known as the Renewable Energy Act (RE Act), was promulgated in 2008. One of the non-fiscal incentives granted to RE Developers is the FIT, a guaranteed rate that an eligible RE Developer is entitled to for twenty (20) years, adjusted for inflation and changes in foreign exchange. The "FIT Rules" was initially released by the ERC under Resolution No. 16 (series of 2010) and was further amended by ERC Resolution No. 15 (series of 2012), which also designated TRANSCO as the FIT Allowance Fund Administrator and New Projects.

It is understood that TRANSCO must achieve a weighted-average of at least 90% to be eligible to grant any Performance-Based Bonus. The Commitment herein includes obtaining all necessary approvals; if

applicable, such as those for Major Development Projects under GCG MC No. 2013-03.

4. **Quarterly Submission of Performance Monitoring.** – TRANSCO shall submit a quarterly monitoring report to the GCG within thirty (30) calendar days from the close of each quarter using the Monitoring Report (PES Form 3) attached hereto as **Annex B**.

5. **Good Governance Conditions.** – In addition to the covered portions of the Performance Scorecard, TRANSCO must fully comply with the Good Governance Conditions enumerated under GCG MC No. 2013-02, namely:

5.1. *Conditions common to National Government Agencies and GOCCs:*

- (a) Transparency Seal;
- (b) PhilGEPS Posting;
- (c) Cash Advance Liquidation;
- (d) Citizen's Charter or its equivalent; and
- (e) Compliance with the submission and review requirements covering Statement of Assets, Liabilities and Networth (SALN);<sup>1</sup>

5.2. *Conditions specific to GOCCs covered by R.A. No. 10149:*

- (a) Satisfaction of all statutory liabilities, including the payment of all taxes due to the Government, and declaration and payment of all dividends to the State as of the end of the applicable calendar year, whenever applicable. Liabilities that are still under dispute and there has been no final and executory judgment/decision as of the date of the release of the PBB by the GOCC shall be excluded for the purpose of this provision.
- (b) Submission and execution of concrete and time bound action plans for addressing Notices of Disallowances and Audit Observation Memoranda from the Commission on Audit (COA), if any.
- (c) Adoption of a "Manual of Corporate Governance" pursuant to Section 42 of the CODE OF CORPORATE GOVERNANCE FOR GOCCs (GCG MC No. 2012-07) that is approved by GCG and uploaded on the GOCC's website.
- (d) Compliance with posting on the GOCC's website the information enumerated under Section 43 of GCG MC No. 2012-07.

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<sup>1</sup> See CIVIL SERVICE COMMISSION MEMORANDUM CIRCULAR No. 3, s. 2013.

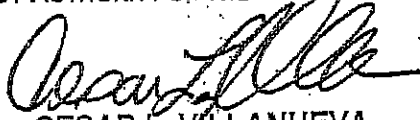
(e) Adoption of a No GIFT POLICY approved by the GCG and uploaded on the GOCC's website pursuant to Section 29 of GCG MC No. 2012-07.

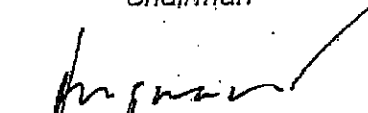
6. TRANSCO hereby undertakes to have its Performance Scorecard rated by its customers and solicit feedback on how the same may be improved. TRANSCO shall determine the most effective method for accomplishing the said purpose. Such information shall be reported to GCG together with the quarterly monitoring report. The rating shall not affect the performance indicators/measures in TRANSCO's Performance Scorecard, and shall be used solely as a reference by GCG and TRANSCO during Performance Agreement Negotiations/Renegotiations.
7. Nothing herein shall be construed as limiting the authority of GCG to initiate renegotiations and/or revoke Performance Agreements in accordance with existing laws, rules and regulations.

DONE, this 30 October 2013 in the City of Makati, Philippines.

**GOVERNANCE COMMISSION  
FOR GOCCs**

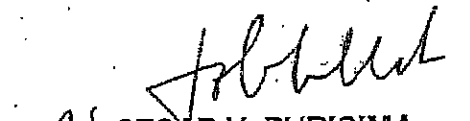
BY AUTHORITY OF THE COMMISSION:

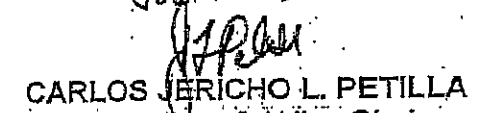
  
CESAR L. VILLANUEVA  
Chairman

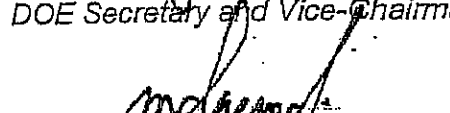
  
MA. ANGELA E. IGNACIO  
Commissioner

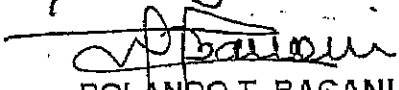
  
RAINIER B. BUTALID  
Commissioner

**NATIONAL TRANSMISSION  
CORPORATION**

  
FOR: CESAR V. PURISIMA  
DOF Secretary and Chairman  
Joint P. Seville

  
CARLOS JERICO L. PETILLA  
DOE Secretary and Vice-Chairman

  
For: RAMON J.P. FAJE  
DENR Secretary and Member

  
ROLANDO T. BAGANI  
President

  
EMMANUEL R. LEDESMA, JR.  
Member, LUZON Representative



IN BEHAVIOR PLS. DATE:

SOE-JLP-13006216



Interim Performance Scorecard 2013-2014  
 NATIONAL TRANSMISSION CORPORATION

PERFORMANCE MEASURES		BASELINE DATA (if applicable)				TARGET			
Description	Formula	WEIGHT		2010	2011	2012	2013	2014	
		2013	2014						
<b>INFO1: COMPLIANCE OF THE CONCESSIONAIRE WITH THE CONGRESSIONAL AND OTHER REGULATORY LAWS AND REGULATIONS</b>									
Quantity	No. of inspection conducted in accordance with the Annual Inspection Schedule, and aligned with the Board approved COB (including PUC and New Projects) duly submitted to DOE and PSALM, and issuance of a certification therefrom	Actual/Target	12.5%	12.5%	17	44	41	55	61
Quality	Percent of observations acknowledged by NGCP as valid and with corrective action plans	Ratio of observations acknowledged as valid and with corrective action plans prepared by NGCP over the total number of inspection observations; expressed in percent (%)	17.5%	17.5%	94%	92.28%	95.73%	98%	100%
		Subtotal of Weights	30%	30%					
<b>INFO2: INVESTMENT OF SUBTRANSMISSION ASSETS</b>									
Quantity (1)	Signed negotiated sales contracts with DU in compliance with Rule 6, Section 8e of EPIRA IRR Mandate	Actual/Target	8%	8%	19 (63%)	18 (77%)	4 (80%)	4 (83%)	4 (86%)
Quantity (2)	Number of Joint Applications filed with the ERC with Dus complying with all the documents within the deadline	Actual/Target	6%	6%	8	3	10	10	10
Financial	Amount of Sale Packages	Actual/Target	6%	6%	P739M (P4.057B)	P1.232B (P5.320B)	P428M* (P5.748B)	P100 M (P5.848B)	P100 M (P5.948B)
		Subtotal of Weights	20%	20%					

**OPERATIONAL SETTLEMENT OF ROW CLAIMS**

Quantity (1) No. of ROW Claims/cases approved for settlement/Expropriation Cases Initiated	10%	10%	16	28	21	24	26
Quantity (2) No. of ROW Claims Validated	10%	10%	60	111	121	135	159
Quantity (3) Length of Transmission Lines Surveyed (in kms)	10%	10%	20.8	45.75	51.07	60	66
<b>Subtotal of Weights</b>		<b>30%</b>					

**OPERATIONAL UTILITY MANAGEMENT**


Quality (1) System Loss (%)	(kwh Purchased - kwh Delivered)/kwh Purchased X 100	5%	4%	1.780%	1.680%	1.75%	1.68%	1.60%
Quality (2) Availability Factor (%) (net of force majeure)	(Period Hours - Outage Hours)/Period Hours X 100	10%	3%	99.86%	99.88%	99.96%	100%	100%
Financial Collection Efficiency (%)	Total Collections/Total Receivables X 100	5%	3%	98.69%	99.22%	98.47%	98.79%	99%
<b>Subtotal of Weights</b>		<b>20%</b>	<b>10%</b>					


**OPERATIONAL QUALITY AND CUSTOMER ADMINISTRATION (Starting 2014)**

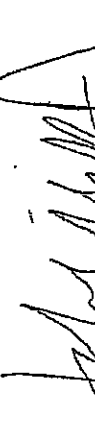
Quality Collection Efficiency (%)		5%	applicable for 2014
Timeliness Timely release of payments to RE Developers		5%	applicable for 2014
<b>Subtotal of Weights</b>		<b>0%</b>	<b>10%</b>
<b>TOTAL WEIGHTS</b>		<b>100%</b>	<b>100%</b>

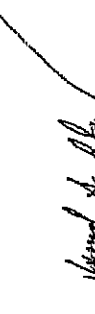
**GENERAL ADMINISTRATIVE SUPPORT AND SERVICES**

Quality Productivity Measures	Total Man-hours less man-hrs lost/dial man-hrs, percent (%)	98.81%	98.49%	97.25%	100%	100%
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**RAINIER B. BUTALID**  
 Commissioner, GCC

  
**ROLANDO T. BACANI**  
 President and CEO, TRANSKO

  
**JOHN PHILLIP P. SEVILLA**  
 Undersecretary, DOF and Alternate Chairman, TRANSKO

  
**LOURDES S. ALZONA**  
 Luzon Representative, TRANSKO

12 September 2013

**NATIONAL TRANSMISSION CORPORATION  
MONITORING REPORT OF PERFORMANCE TARGETS**

OBJECTIVE	DESCRIPTION	2013											
		1st Quarter		2nd Quarter		Revised Full Year		3rd Quarter		4th Quarter		Actual	Actual
		Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual		
<b>MFO1:</b>	<b>COMPLIANCE OF THE CONCESSIONAIRE WITH THE CONCESSION AGREEMENT AND OTHER REGULATORY LAWS AND REGULATIONS</b>												
Promote and protect government's interests by ensuring NGCP's compliance with the terms and conditions of the Concession Agreement, pertinent laws, rules, and regulations	No. of inspections conducted in accordance with the Annual Inspection Schedule, and aligned with the Board approved GOB, including PUC and New Projects duly submitted to DOE and PSALM and issuance of a certification therefrom	41	11	13	16	15	55	16	12				
	Percent of observations acknowledged by NGCP as valid and with corrective action plans	95.73%	98.00%	95.81%	98.00%	97.92%	98.00%	98.00%	98.00%				
<b>MFO2:</b>	<b>DIVESTMENT OF SUBTRANSMISSION ASSETS</b>												
Divest remaining sub-transmission assets to technically and financially qualified distribution utilities	Negotiated Sales contracts in Compliance with Rule 6, Section 8e of EPIRA, IRR Mandate	4	1				4		3				
	Signed Joint Approved Applications filed with ERC with Dus complying with all the documents within the deadline	10	2	2	2	2	10	3	3				
	Cumulative Amount of Sale Packages	₱428M	₱13M				₱100M		₱87M				
<b>MFO3:</b>	<b>SETTLEMENT OF ROW CLAIMS</b>												
Settlement of ROW Claims and Cases	No. of ROW Claims/cases approved for settlement/Disproportionate Cases Initiated	21	5	6	6	8	24	6	7				
	No. of ROW Claims Validated	121	30	30	35	40	135	35	35				
	Length of Transmission Lines Surveyed (in kms)	51.07	10	10	12	12	60	17	21				
<b>MFO4:</b>	<b>UTILITY MANAGEMENT</b>												
Reduce the electrical energy losses on PEZA (CEZ & BCEZ) and AFB's electrical distribution system	System Loss (%)	1.75%	1.68%	1.97%	1.68%	1.67%	1.68%	1.68%	1.68%				1.68%



