



NATIONAL POWER CORPORATION

Role of the Board in Corporate Strategy - 2022

National Power Corporation's primary mandates include Enhanced Missionary Electrification, Watershed and Dams Management in support of Power Generation and Operation and Maintenance of the Remaining Power Generating Assets in the Main Grid. Pursuant to these mandates and as provided under Section 5Bon.b of the NPC Corporate Governance Manual, the National Power Board is responsible for providing policy direction, monitoring, and overseeing the implementation of the corporate strategies and Management actions.

The Governing Board monitors and oversees the implementation of the corporate strategy through the annual review and approval of the strategic plan, corporate operating budget, corporate performance scorecard targets and accomplishments among others.

On 21 January 2022, the Governing Board ensured that the fuel requirements of NPC to sustain the operations of the Small Power Utilities Group are adequately met with the award of the contracts for the oil-based fuel for offgrid power plants and barges. The Board also firmed up the 2022-2026 Missionary Electrification Plan (MEP) as NPC's input to the Missionary Electrification Development Plan (MEDP) prepared by the Department of Energy which serves as the blueprint for the electrification of the islands.

Moreover, the Governing Board probed the implementation of the ten-year Integrated Watershed Management Masterplan of NPC before authorizing the filing of the Plan 18 petition for availment of the UC-EC funds amounting to Php 335.548 Million for the watershed areas managed by the corporation.

To explicitly show the Corporation's commitment towards the adoption and use of renewable energy in the missionary electrification efforts of NPC, the Board authorized the revision of the Strategy Map and Charter Statement of NPC, accordingly enhancing the previous corporate submissions in connection with the CY 2022 Performance Scorecard.

To support the corporation's execution of the corporate strategies concerning dams and watershed management, off-grid electrification, and preservation and maintenance of the Agus-Pulangi hydroelectric power complex in Mindanao, the Board likewise set the 2022



manpower augmentation level at 2,246 pending the implementation of a corporate-wide reorganization.

On 02 March 2022, the Board, consistent with Republic Act. No. 7656 and after confirming that NPC has a net earnings in the amount of Php 1.619 Billion, initially approved the remittance of cash dividends to the National Treasury in the amount of Php 809.577 Million. In accordance with the special provisions in the 2022 General Appropriations Act, the Governing Board also reviewed and authorized the modifications in the programs and projects of the corporation for CY 2022 and approved the realignments in the Corporate Operating Budget amounting to Php 34.399 Billion. However, noting that the actual fuel prices in 2022 are a far-cry from the original budget assumptions, the Board approved on 31 March 2022, a Php 13.027 Billion budget augmentation to support the corporate plans concerning missionary electrification, and after reviewing the financial and economic viability of NPC, requested for a dividend relief which was favorably endorsed by the Secretary of Finance to the President of the Philippines. In parallel, the Board reprioritized the projects and activities that were funded from the Prior Years' NG Subsidies amounting to Php 2.998 Billion in order to fund the fuel requirements of NPC-SPUG.

On 31 March 2022, the Board reviewed the execution of the corporate plans, programs and targets embraced by the CY 2021 Performance Scorecard and endorsed for the GCG's consideration, a performance rating of 91.32% (based on original targets) and 95.05% (if the request for reconsideration on the performance targets pertaining to the energization of the Roxas-Taytay 69 kV Transmission Line in Palawan, and the uprating of the power transformer for the Mobo Substation Project in Masbate, are approved by the Governance Commission).

On 30 May 2022, the Governing Board reviewed the targets, plans and programs and the proposed execution of corporate strategies for the major mandates of NPC for 2023 before endorsing to DBM a Corporate Operating Budget amounting to Php 44.749 Billion.

The stinging effects of the Ukraine-Russia conflict compelled the new members of the Governing Board under the Marcos Administration to revisit the overall corporate plans and strategies of the Corporation due to the limited fiscal space of the National Government and the tight cash position of NPC.

Accordingly, the Board approved on 16 September 2022, the utilization of the unexpended balances of the prior years NG subsidy in the amount of Php 1.319 Billion and on 30 September 2022, Php 1.027 Billion, to address the fuel needs of NPC-SPUG. Accordingly, the Work and Financial Plan of NPC ballooned to Php 5.344 Billion from Php 4.317 Billion. Moreover, the Board adjusted the augmentation level from Php 8.811 Billion set on 29 June 2022 to Php 11.756 Billion.

Mindful of NPC's mandate of ensuring the delivery of steady and reliable supply of electricity even to the remotest sections of the

Philippine archipelago, and armed with DOJ Opinion No. 20, s. 2022, the Board approved on 13 October 2022—as a corporate financial strategy—the obtention of a Php 5 Billion Short-Term Loan Line with LBP to help fund and address the missionary electrification mandate and related obligations of NPC. Moreover, the Governing Board ascertained the funding requirements of NPC in relation to the missionary electrification development program of the National Government and authorized the filing with the Energy Regulatory Commission (ERC) of the amended UCME petition for 2023 amounting to Php 39.135 Billion – a 91.2% increase from the Php 20.462 Billion level approved on 02 March 2022.

On 16 September 2022 and 20 December 2022, the corporate strategies and targets of the corporation mainly affecting main grid and off-grid operation, dams management and financial viability were revisited in connection with the finalization of the CY 2023 Performance Scorecard. The Board also ascertained the major deliverables embraced by and the assumptions used for the MOA-COB level of Php 4.04 Billion including the proposed contingency budget of Php 232.419 Million for PSALM Corporation's consideration. The programs embraced by the 2023-2027 Missionary Electrification Plan were also confirmed on 20 December 2022.

The year 2022 has been financially difficult for NPC as petroleum prices surged to high levels – exhausting NPC's budgetary cover for fuel. The corporation also had challenges in meeting the UCME subsidy requirements of NPPs and QTPs since the remittances from the universal charges were not enough. Since the financial upset was foreseen to be experienced in 2023 as well, the Board ended the year considering and approving a Crisis Management Strategy which includes among others the reduction of operating hours in SPUG power plant operations nationwide to stretch the fuel supply until December 2023—a worst-case scenario kept at arm's length by NPC's borrowings, fund infusion from the National Government and tariff adjustments.

In line with its oversight function over the operation and management of the Corporation, the Board and its standing committees set the standards and policies that ensured the Corporation's long-term success, viability and strength, and sustained competitiveness. These standards and directives were provided all year round with the review and approval of significant programs and projects that affect corporate performance, such as the procurement of fuel requirements of NPC for its operation, acquisition of goods, services and infrastructure projects and tightened contract implementation and management.

Finally, as a testament to the firm commitment of the corporation in providing service to the Filipino nation, the Governing Board ensured the continuity of the strategic plans and programs of the corporation notwithstanding the changes in corporate leadership in 2022 brought about by the transition to the BBM presidency.

