



MWSS
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LIFE FLOWS FOR FILIPINOS

MWSS Regulatory Office
2016 ACCOMPLISHMENT REPORT

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Introduction

The Metropolitan Waterworks and Sewerage System Regulatory Office Accomplishment Report 2016 is more than a compliant annual report on the progress of operations; it paints the picture of how the Regulatory Office confronted its regulatory environment while carrying out its function as the regulator of privatized water and sewerage systems benefiting Metro Manila and its borderline communities.

In 2016, the Regulatory Office continued to complement the endeavors of its peer Corporate Office and concession partners and altogether collaborate to improve the quality of life of Metro-Manila citizens, inclusive of those residing within its jurisdictional boundaries, the daytime working population living in contiguous cities and municipalities, and the mix of other populations.

As in previous years, the Office sought to be effective – by impacting positively on beneficiaries and the implementing private sector companies; and to be efficient – through the rational utilization of human, physical, and financial resources that redound to the common good of the people served and the entities that serve.

The Regulatory Office's over-arching objective was to keep waters flowing for

Filipinos, its duty and mandate being to promote the interests Filipino individuals, families, and communities. The role of regulator had not always been easy. It entails a delicate balancing act between the Filipinos who should enjoy their basic right to water and to be able to access this at rates they could afford, and the operators of the water and sewerage systems who have to remain financially viable, stable, and sustainable – if they are to continue serving the current and ever-increasing volume of Customers who depend on water for life.

Thus, in these pages are presented the Regulatory Office's programs and projects pursued with a clear and conscious awareness of the duty to serve. The Report covers public consultations, audits on projects and programs, design of frameworks and guidelines, monitoring and validation activities, and the outcomes of day to day operations on matters relative to the Concession Agreement and other salient matters. This Report will provide continuity in the coming year, if only to ensure that Filipinos will continue to harvest the goodness of water services planted at present, for the full enjoyment of generations to come.



Keeping Waters Flowing for Filipinos

Message from the Chief Regulator

This MWSS Regulatory Office Accomplishment Report 2016 is dedicated to the men and women of the Metropolitan Waterworks and Sewerage System, Customers in the MWSS Services Area, and partner stakeholders in the service of the Metro. Together, we constitute the stewards of the FLOW.

Our conviction lies in the truth that human life flows eternal as long as the global eco-system and that of our mega-city is kept inviolate. We have been planted in this system and vested with the task to twin with our concessionaires in the delivery of cost-effective water supply and sewerage services and the stewardship of our water course, so that detrimental factors do not destabilize the lives of our constituent generations.

Through 2016, we synchronized our plans and balanced our actions in the focal areas of shaping better regulations, ensuring water quality and asset efficiencies, instituting just and equitable rates, knowing the minds and hearts of our Customers, and managing our organizational household for best results.

The pages of this Report document our endeavors in each of these spheres that were

“...Our conviction lies in the truth that human life flows eternal as long as the global eco-system and that of our mega-city is kept inviolate...”

intentionally directed to facilitate the constant flow of human lives – so that urban Manila and its catchment vicinities would be sufficiently water-fed and nurtured to bloom, even as our people participate as co-owners of our structures.

Recognizing that leadership is ever fleeting and transient, it is with great honor for me to have been with the workforce and to flow the mission onward to my successor in the coming year, while looking back on the fruition of our work in the various tiers of regulatory transacting. May our shared values of professionalism, participatory governance, and transparency live on to make Manila, including the Provinces of Rizal, Bulacan, and portions of Province of Cavite a truly livable city and the birthing place of prosperity.



Joel C. Yu, Ph.D. | Chief Regulator, MWSS Regulatory Office, 2014 - present

Message from the Chairman

Water Security is a calling sacred to the Metropolitan Waterworks and Sewerage System Corporate and Regulatory Offices and our private sector partners Maynilad Water Services, Inc. and Manila Water Company, Inc. As a triad, we are bound to the covenant of keeping Mega-Manila water secure and water sufficient – for the universal access for all Filipinos, rich or poor.

This calling inspires in us the passion to keep the delicate balance inviolate – between what is essentially a primal need and an endless resource. Dovetailing this, Water Security is for us, not just a mission, but a call to action on the twin tiers of policy and implementation.

We link minds and hearts in synchrony with our consumers so that the waters we foster flow effectively and affordably into their hands to nurture their lives. In so doing, we strive to keep the System in a state of perpetual excellence, aided by our 7-Point Water Security Legacy Plan that directs our efforts in resource development, distribution efficiency, rate rationalization, effective governance, and partnership building.

It is thus, with deep appreciation, that I laud the theme for the MWSS Regulatory Office

“... Inspired and moved by this rubric, we commit to craft policies, top level agreements, and decisions that bestow in great abundance Water as Life....”

Accomplishment Report 2016, Life Flows for Filipinos, being premised on the Water is Life Principle.

Inspired and moved by this rubric, we commit to craft policies, top level agreements, and decisions that bestow in great abundance Water as Life. We do these with positivity, equitability, and the indomitable spirit to accomplish programmed targets, results, and outcomes. For it is incumbent upon us to uphold the integrity of the lives we have been gifted with.

We in the Board of Trustees and the Corporate Office, therefore, encourage our peer workers in the Regulatory Office to pursue the aspiration of a water-sure and secure Philippines!



Architect Gerardo A.I. Esquivel | Chairman, MWSS Board of Trustees and Administrator, MWSS Corporate Office

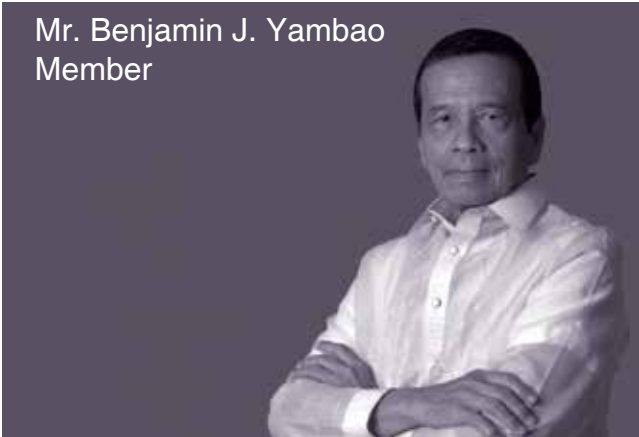
Board of Trustees



Arch. Esquivel already owned a successful construction business before he was persuaded to join public service and help run MWSS. An Architecture graduate from the University of the Philippines, he is currently the Administrator of MWSS and serves as the acting Chairman of the Board of Trustees. In 2014, he was recognized by the University of the Philippines Alumni Association for his outstanding achievement in Good Governance, a reflection of his hard work, commitment and leadership in supporting the Administration’s initiative for clean and honest governance in MWSS.



Dr. Valderama is a professor of the University of the Philippines Cesar E.A. Virata School of Business. A certified public accountant and an expert in financial regulation, she has served as consultant for stakeholders in the power sector including the Energy Regulatory Commission, the Asian Development Bank, and the United States Department of Energy Sustainable Energy Development Program. Dr. Valderrama was also part of the finance and accounting team who evaluated the Concessionaires’ submissions during the Regulatory Office’s first rate rebasing project in 2002. She earned her Master’s Degree in Technology Policy and Management from the University of Wollongong, New South Wales, Australia, and her Ph.D. in Business Administration from the University of the Philippines.



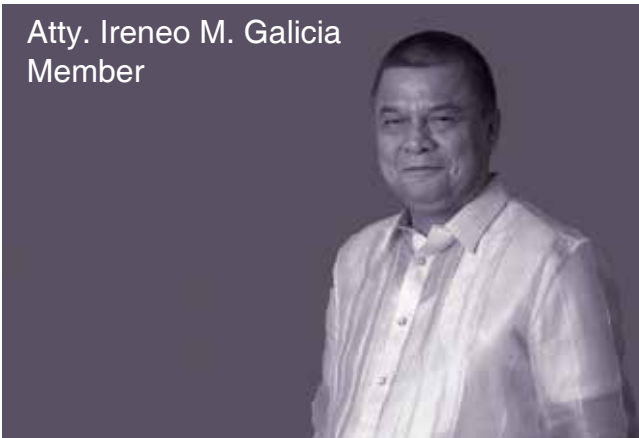
A certified public accountant and professional banker, Mr. Yambao has held key positions in various organizations across the banking industry in the last 40 years. Before joining the Board of Trustees at MWSS, he served as Senior Bank Examiner at the Bangko Sentral ng Pilinas and as President of the Manila Banking Corporation and the Chamber of Thrift Banks. He currently serves as Consultant to the Board of Directors at the Chamber of Thrift Banks, as Chairman of the Board of a rural bank, and as Director and Consultant of an insurance company. Mr. Yambao is also a fellow of the Institute of Corporate Directors.



A member of the United Nations Secretary-General’s Advisory Board on Water and Sanitation and the President and a founding member of Sustainable Development Solutions for Asia and the Pacific, Dr. Castillo has been involved in various intergovernmental and private programs that push for sustainable production initiatives and approaches in the Asia Pacific region. Working towards a more sustainable world, she has served as an environmental consultant to projects for the Joanneum Research Institute in Austria, the Asian Development Bank, the United Nations Environment Program, the United Nations Conference on Trade and Development, and the United Nations Industrial Development Organization.



A Finance Undersecretary during the Ramos Administration, Dr. Soriano was seconded to the World Bank and conducted studies on the water industry for the World Bank, the Asian Development Bank (ADB), the Australian Agency for International Development (AusAID), and the United States Agency for International Development (USAID). She has a Ph.D. in Economics from the University of California, Berkeley.



The current Government Corporate Counsel and a member of the Integrated Bar of the Philippines, Atty. Galicia has extensive experience in Intellectual Property Law, the Agreement on the Trade-Related Aspects of Intellectual Property Rights, and the Doha Declaration, as well as Philippine laws on food, drugs and cosmetics. Before joining the Office of the Government Counsel, he also served as Deputy Director General in the Intellectual Property Office, as Chief Legal Counsel of the Food and Drugs Authority, and as Legal Consultant to the Office of the Department of Health Secretary.



President of the Ateneo de Manila University and an international expert on climate change, Fr. Jett, as he is more commonly known, was part of the Intergovernmental Panel on Climate Change, a team of scientists who won the 2007 Nobel Peace Prize together with former US Vice President Al Gore. He has a Ph.D. on Atmospheric Sciences from the Georgia Institute of Technology.

Executive Committee / Regulators



From Left to Right: Mr. Christopher D. Chuegan, Financial Regulation Area | Ms. Genaline R. Valera, Customer Service Regulation | Joel C. Yu, Ph.D., Office of the Chief Regulator | Atty. Claudine B. Orocio-Isorena, Administration and Legal Affairs | Engr. Gerardo A. Sullano, Technical Regulation

Management Committee



From Left to Right: Ms. Maria Sharlene P. Zausa, Financial Audit and Asset Monitoring Department | Ms. Rosalinda T. Valdez, Tariff Control and Monitoring Department | Atty. Crescenciano B. Minas, Jr., Legal Affairs Department | Ms. Virginia V. Octa, Administration Department | Engr. Evelyn B. Agustin, Water Quality Control Department | Atty. Kristin C. San Pedro, Public Information Department | Engr. Jose Noel O. Dalistan, Operations Monitoring Department | Engr. Rosendo O. Alegre, Complaints Services Monitoring Department (Not In the Picture)

Office of the Chief Regulator



Delivering better regulations for Filipinos

The Office of the Chief Regulator, in 2016, pursued its tabled goals with one aim in mind: to deliver better and more judicious regulations governing the delivery of water supply and the operation and maintenance of sewerage systems.

The Regulatory Office is headed by a Chief Regulator whose main duty is to provide the overall direction and guidance relative to program operation to four Regulation Areas. These are the (1) Technical Regulation Area, (2) Customer Service Regulation Area, (3) Financial Regulation Area, and (4) Administration and Legal Affairs.

Specifically, the Chief Regulator provides:

- Direction as to the implementation of the office policies and guidelines in accordance with the standard office procedures and in pursuit of the Regulatory Office's vision-mission;
- Direction regarding creation of public awareness with regard to the Regulatory Office's operation and accomplishments;

The Chief Regulator has the sole responsibility to implement the directives of the MWSS Board of Trustees. He also acts as the principal spokesperson of the office.

The Office continued to direct regulatory activities in its four areas of operations, relay the directives of the MWSS Board of Trustees from Board level downstream to the implementing units and concessions, and serve as the official spokesperson of the agency. Its two task units, the Public Information Department (PID) and Management Information System (MIS) provided regularly updated information and vital management statistics to internal and external audiences, ranging from Customers to multi-media and research groups.

The PID conducted public information drives, public consultations, and public dialogues in coordination with regulation areas and concessionaires, while the MIS utilized current information technologies for management information updates and knowledge build-up purposes. Aside from maintaining the IT system, the MIS received, stored, and uploaded these on the RO website and social media networks for public access.

Pre-Rate Rebasing Public Consultations

In the first half of 2016, the Regulatory Office conducted public conferences and media briefings to address issues related to the conflicting decisions of the appeals panels of the two arbitration cases filed by the concessionaires.

The Regulatory Office scheduled the first public dialogue on July 5, 2016 at the Maynilad Arroceros Building in Ermita, Manila for West Zone Customers and on July 7, 2016, the second public dialogue at the Comida China de Manila, Pasig City for Customers of the East Zone. The dialogues provided Customers with the opportunity to be clarified on issues and concerns they raised pertaining to the implementation of Implementing Rules and Regulations (IRR) No. 2013-03 on the “Rate Classification of Places of Worship”.

In the second half of 2016, the Regulatory Office started to prepare for the Fourt Rate

Rebasing. A series of public consultations with local government units was organized. A total of 19 Pre-Rate Rebasing public consultations with representatives from different (LGUs) were held to vital inputs on current and future land use and development plans within Concessionaires’ operating areas. The Pre-Rate Rebasing consultations were held for the following reasons:

- To inform LGUs on the state of completed, ongoing projects, and plans of MWSS concessionaires,
- To solicit inputs from LGUs that could be incorporated in the Business Plans of the concessionaires, and
- To align, harmonize, and synchronize LGU plans with the business plans of the concessionaires.





Corporate Branding

In 2016, the PID developed guidelines that define, promote, and propagate the character and persona of the Regulatory Office through the correct and standardized presentation of its brand identity, manner of expression, communication styles, and use of pertinent applications. The guidelines showed the indicative ways by which information and communication materials should appear, with stress on consistency and the exclusive and prescribed use of specific visual elements.

In 2016, a Brand Book with a comprehensive compilation of the Regulatory Office's Brand Roots, Brand Expression, Brand Identity, and Visual Communications Guidelines and Applications was released by the PID. All informative contents and descriptions encrypted in the Brand Book are self-explanatory, i.e., proper logo placement, graphic design, colors and linear styles.

Information Systems Strategic Plan

In 2016, the Regulatory Office developed its Information Systems Strategic Plan (ISSP). The ISSP is a 3-year computerization blueprint that capacitates an organization to use an information and communications technology (ICT) in the pursuit of its mandate.

The Regulatory Office ISSP was finalized on April 11, 2016 with a recommendation for the allotment of a corresponding budget for the installation of the system within the fixed-term period. In May 2016, the MWSS Board

of Trustees approved the submission of the Regulatory Office ISSP to the Information and Communications Technology Office of the Department of Science and Technology.

On August 9, 2016, the Information and Communications Technology Office of the newly-created Department of Information and Communications Technology approved the Regulatory Office ISSP for endorsement to the Department of Budget and Management.



Customer Satisfaction Survey

On June 1, 2016, the Regulatory Office entered into a Memorandum of Agreement with the University of the Philippines Center for Integrative and Development Studies (UP CIDS) for the conduct of a Customer Satisfaction Survey (CSS), focusing on the consuming public.

The purpose of the survey was to “feel the pulse” of the constituency, so to speak, in terms of their satisfaction with the Regulatory Office’s rate-setting approaches, and to assure people of appropriate attention in cases of complaints and grievances. The 2016 CSS sought to evaluate the following aspects of the Regulatory Office service:

- Customer complaints handling
- Public information activities, and
- Responsiveness of the Regulatory Office website

The UP CIDS designed a methodology for evaluating these activities that consisted of

a public dialogue feedback instrument and an interview guide for evaluating the conduct of public dialogues on IRR 2013-03: Rate Classification of Places of Worship on July 5 and 7, 2016. Participants to these dialogues were made to answer questionnaires and a random number among them was interviewed utilizing the guide.

The joint Regulatory Office-UP CIDS undertaking resulted in the design of a responsive Customer handling survey instrument, a feedback mechanism for evaluating public dialogues, and gauging the relevance of the Regulatory Office website. On November 25, 2016, the UP CIDS submitted its report on the CSS conducted during two Regulatory Office-initiated public consultations. The Regulatory Office received an “Outstanding” mark in the conduct of the CSS.



KPI BEMs Evaluation

The KPI BEMs Committee, headed by the Chief Regulator, submitted its 2015 Annual Key Performance Indicators Business Efficiency Measures (KPI BEMs) Evaluation Reports within the prescribed period of 60 days from the concessionaires' submission. Table 1 below shows the KPI BEMs evaluated by the Regulatory Office:

Table 1. Key Performance Indicators and Business Efficiency Measures	
Key Performance Indicators	
Water Service	
W1A	Water Service Connections
W1B	Water Service Coverage
W2 W3	Continuity of Supply
W4	Water Quality at Plant Outlet
W5	Water Quality at Distribution
W6	Samplings
Sewer and Sanitation Services	
S1A	New Sewer Service Connections
S1B	Sewer Coverage Target
S2A	Septic Tanks Desludged
S2B	Sanitation Coverage
S3	Wastewater Effluent Quality
Customer Service	
C1	Response to Customer Service Complaints
C2	Response to Customer Billing Complaints
C3	Response to Request for New Service Connections
C4	Installation of New Service Connections
C5	Response to Disruptive Mains
IN1	Billed Volume
IN2	Revenue Collection Rate
Business Efficiency Measures	
OP1	Controllable OPEX: Labor
OP2	Controllable OPEX: Power
OP3	Controllable OPEX: Other Controllable OPEX
CA1	Capital Expenditures and Concession Fee Payments
CA2	Physical Accomplishment
CA3	Financial Accomplishment
NR1	Non-Revenue Water

On January 19, 2016, Maynilad Water Services, Inc. (Maynilad) submitted its 2015 Annual KPI BEMs Report. The KPI BEMs Committee completed its evaluation of this report on March 18, 2016. Subsequently, on February 1, 2016, Manila Water Company, Inc. (Manila Water) submitted its 2015 Annual KPI BEMs Report, the evaluation of which was completed by the Committee on April 1, 2016.

On July 20, 2016, Maynilad submitted its mid-2016 KPI BEMs Report which was evaluated by the KPI BEMs Committee on September 19, 2016. On August 1, 2016, Manila Water, in turn, submitted its mid-2016 KPI BEMs Report, the evaluation of which was completed by the Committee 30 on August 30, 2016.

All these undertakings were linked to the Chief Regulator's primary mission to deliver better regulations, with the constant participation and involvement of constituents of the Regulatory Office.



Sustainability Campaign

In 2016, the Regulatory Office launched a sustainability campaign: SAVE: #putyourmark to promote social responsibility: a call for individual involvement in saving the environment.

The logo of the campaign is a fingerprint in the shape of a water droplet. Underneath the image is the word “Save” and the hashtag #putyourmark. The fingerprint of every individual is unique. This represents the call for personal involvement of everyone. Thus, the hashtag of the campaign: #putyourmark. A droplet signifies that there is no small effort in the preservation of the environment.

The launching of the campaign logo sets the tone of the year-long drive to increase awareness in protecting the environment. At the launch of the campaign, the logo is incorporated in the business cards of every employee of the Regulatory Office who are considered ambassadors in the campaign to preserve the environment.



Technical Regulation Area

Ensuring water quality and asset efficiencies

The Technical Regulation Area of the Regulatory Office monitors the compliance of Manila Water and Maynilad with their Concession Agreements with the MWSS in the delivery of water, sewerage and sanitation services. This close supervision ensures that Customers not only have unimpeded access to safe, potable drinking water and environment-friendly sewerage systems; it also guarantees that the quality of the water delivered is compliant with Philippine standards, and that assets employed in the generation of water supply are functioning efficiently 24 hours with at least 7 psi pressure level.

The monitoring process involves the conduct of on-site inspections of on-going repair and maintenance projects as well as existing infrastructure and facilities. Areas safeguarded are physical asset management, consistent water availability, adequate pressures in the distribution networks, and the conduct of regular testing of facilities. Technical Regulation Area has two departments: Operations Monitoring and Water Quality Control.



Operations Monitoring Department

Detecting water presence, flow, and pressure

The Operations Monitoring Department (OMD) is primarily responsible for monitoring Concessionaire capital and facilities maintenance. It does this in conjunction with the Financial Regulation Area and a third party independent consultant. It audits performance and evaluates the need for projects proposed or undertaken, the exercise of due care and prudence in cost estimation and efficiency.

1. EVALUATING CONCESSIONAIRE REPORTS

In 2016, the OMD evaluated a total of eight quarterly CAPEX Accomplishment Reports, four for each Concessionaire. The reported total disbursements of Manila Water and Maynilad were Php5.963 billion and Php9.267 billion, respectively. The figures are based on unaudited financial statements, subject to reconciliation.

Table 2. CAPEX Disbursement			
	Actual In Php Million	Target In Php Million	Performance
Manila Water	5,963	8,790	68%
Maynilad	9,267	10,052	92%

Table 2 shows that only 68% and 92% of targets in 2016 were disbursed by Manila Water and Maynilad, respectively. These disbursements consist of Internal CAPEX and Concession Fees. These statistics are vital to the Fourth Rate Rebasing.



2. DETECTING WATER FLOW AND PRESSURE

The OMD exercises due caution and safeguard that the water being supplied to the public is generated at the minimum pressure of 16 psi daily over a 24 hour period, as stipulated in the Concession Agreements. However, during the First Rate Rebasing exercise, the minimum pressure of 16 psi was lowered to the interim pressure of 7 psi. Maynilad subsequently reverted the target to 16 psi by the end of 2016, based on its approved 2013 Business Plan. Thus, Manila Water was evaluated to observe 7 psi and Maynilad, 16 psi pressure levels.

In discerning water availability and pressure within the concession areas, the Regulatory Office identified the Regulatory Benchmark Customers (RBCs), also known as Pressure Monitoring Points installed with the data loggers. The RBCs were conceived for two reasons: one, in order to predict worst-case scenarios in a particular and/or a District Metering Area (DMA); and two) so that the RBCs would be the first to be affected in case of deviations in water supply and pressure conditions in the system. RBCs are those that are either farthest from the source and/or located at the highest and extreme portions of the water supply distribution network within a particular hydraulic area.

In 2016, the OMD validated a total of 140 RBCs covering eight and 12 Business Areas operated by Manila Water and Maynilad, respectively.

Table 3. Water Availability and Pressure					
	Q1	Q2	Q3	Q4	ver
Manila Water					
RBCs with 24/7	13	13	13	13	53
Total RBCs	14	14	14	14	56
% Passed	93	93	93	100	94.6
Maynilad					
RBCs with 24/7(16)	15	11	4	12	42
Total RBCs	21	19	23	21	84
% Passed	71	58	17.4	54.1	50

For Manila Water, out of 56 RBCs validated, 53 or 94.6% are served with a 24/7 level of service. This shows that the reported water availability and pressure maps of Manila Water are relatively accurate, considering the small percentage of Customers who are not receiving the minimum pressure of 7 psi at any given time. In addition, Manila Water reported that about 10,110 water availability and pressure-related complaints were received during the period under consideration, confirming that only small pockets of the service area are experiencing below the required 24/7 service level.

For Maynilad, out of 84 RBCs validated, 42 or 50% experienced 24/7 (for the first half of 2016) and 24/16 (for the second half of 2016) level of service. Comparing this validated data with the Quarterly Water Availability and Pressure Reports submitted by the company, results show that the reported water availability and pressure percentages were not accurate, since there were monitoring points that did not receive the required pressure at all times.

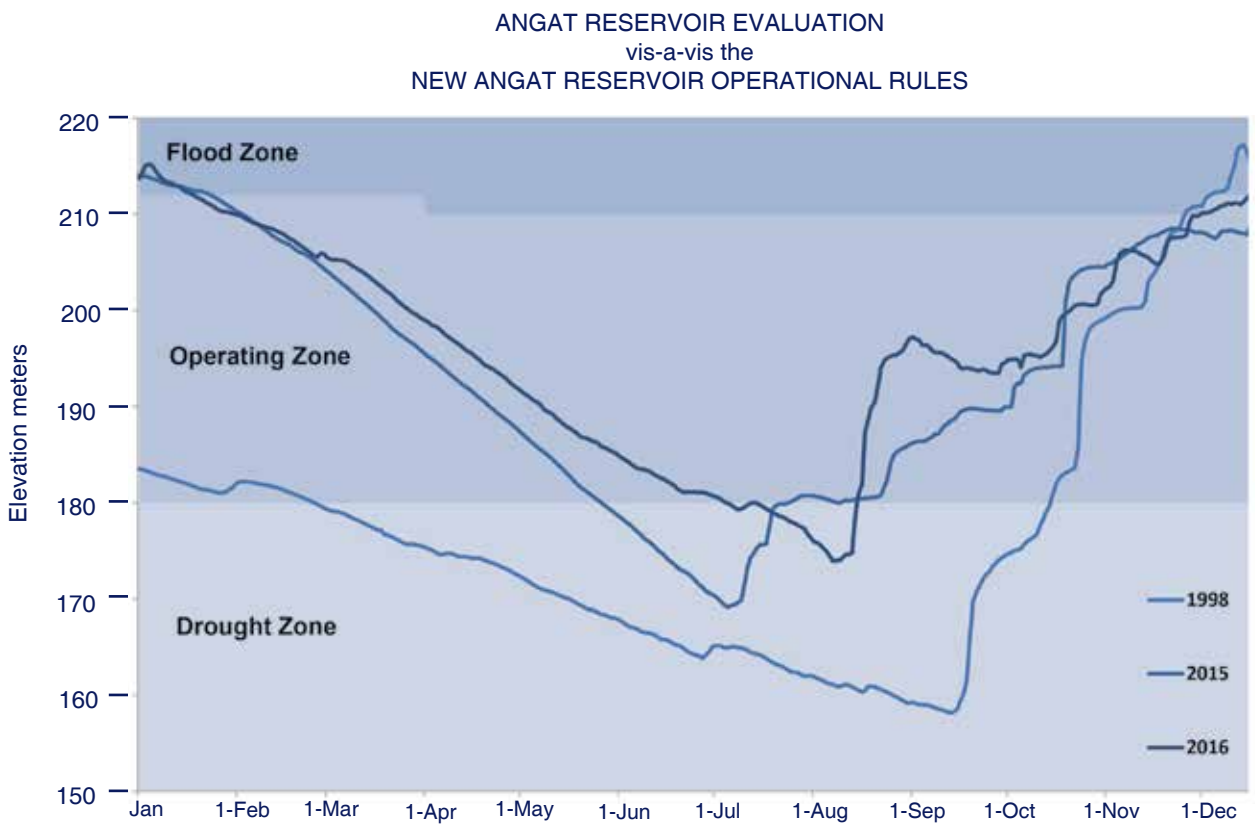
2016 Angat Elevation/Releases vis-à-vis Treatment Plants Production

	DAM / RESERVOIR ELEVATION RANGE, meters			AVE. ANGAT RELEASES for MWSS		AVE. TREATMENT PLANTS PRODUCTION, MLD			AVE. (DROP) / RISE IN ANGAT ELEV.
	ANGAT	IPO	LAMESA	MLD	CMS	BFPs/ELMTP	LMTPs/	TOTAL	meters/day
Jan.1-31	213.71-209.99	100.90-100.28	79.76-79.41	3,538.78	40.96	1,477.55	2,201.06	3,678.61	(0.12)
Feb.1-28	209.94-205.87	100.72-100.34	79.84-79.54	3,685.41	42.66	1,433.06	1,760.54	3,193.60	(0.16)
Mar.1-31	205.50-199.09	100.57-100.81	79.90-79.60	3,769.55	43.63	1,470.68	1,807.96	3,278.64	(0.21)
Apr. 1-30	198.92-191.85	101.04-100.53	79.71-79.25	3,933.50	45.53	1,532.82	1,865.97	3,398.79	(0.24)
May 1-31	191.58-185.09	100.99-100.41	79.22-78.86	3,793.80	43.91	1,520.20	1,838.99	3,359.18	(0.22)
Jun. 1-30	184.78-180.76	100.96-100.39	78.82-78.39	3,769.34	43.63	1,511.05	1,829.11	3,340.16	(0.13)
Jul 1-31	180.62-176.37	101.00-100.18	79.01-78.43	3,459.07	40.04	1,487.66	1,860.00	3,347.66	(0.15)
Aug 1-31	197.07-173.91	101.24-99.73	80.06-78.94	2,006.15	23.22	1,478.70	1,850.32	3,329.02	0.69
Sept 1-30	197.21-193.45	100.97-99.74	79.90-78.94	2,897.57	33.54	1,480.40	1,874.60	3,355.00	(0.08)
Oct 1-31	202.05-194.85	101.35-99.68	79.69-78.95	2,626.28	30.39	1,475.57	1,845.95	3,321.72	0.24
Nov 1-30	209.85-202.34	100.99-100.52	79.12-78.99	3,576.67	41.39	1,451.89	1,853.98	3,305.87	0.26
Dec 1-31	212.74-210.12	101.09-100.80	79.37-78.91	4,115.71	47.64	1,467.13	1,835.11	3,302.25	0.09
AVERAGE				3,442.75	39.85	1,483.01	1,827.89	3,310.97	(0.07)

Keeping vigil over the Angat Reservoir

The OMD regularly monitors and evaluates the water levels of the Angat Reservoir that supplies 98% of the raw water requirements of MWSS. In 2016, the Angat posted a water level of 213.71 meters on January 1, and ended with 212.74 meters on December 31, marking a difference of 0.97 meters, that translates to an average drop in the water surface level of 0.003 meters per day.

Following the normal trend of the Angat water surface level, the elevation continuously plunged during the first semester until the first week of August 2016, when the lowest level was recorded at 173.91 meters on August 7. The Angat elevation started to recover in the second week of August as reflected in the graph below, which illustrates a significant rise of about 22 meters from August 13 to 31, 2016 that was attributed to the southwest monsoon or Habagat rains. However, in September, the Angat water elevation dropped to an average rate of 0.08 meters per day until the first week of October. Since then, the Angat elevation started to rise again until the end of the year due to the monsoon rains brought about by typhoons that hit Luzon in the last quarter of 2016.



Aside from monitoring raw water levels, the OMD also submits an evaluation report on the Angat elevation and releases, vis-à-vis the Concessionaires' water production on a quarterly basis.

Based on the Regulatory Office's evaluation, the computed total average production of the three treatment plants (BFP1, BFP2 and ELMTP) of Manila Water was 1,478.53 MLD while the average raw water supply was 1,544.45 MLD, yielding an efficiency rate of 95.73%. In contrast, the total average production of the two treatment plants (LMTP1 and LMTP2) of Maynilad was 1,831.96 MLD while the average raw water supply was 2,220.65, MLD yielding an efficiency rate of only 82.50%.

In view of the perceived low efficiency of Maynilad-operated treatment plants, the RO contacted Maynilad authorities to discuss reasons behind for the efficiency rating. Maynilad clarified that the production of the La Mesa Treatment Plants was measured at the Bagbag Reservoir located four kilometers away from LMTP 1 and 2, and from the La Mesa Pumping Stations (North A, B and C) and were considered as system input volumes. The reason cited was that the available flow measuring devices at the outlet of the La Mesa Treatment Plants were no longer reliable. However, Maynilad assured the RO that the flow metering devices were to be replaced. Moreover, the company was conducting a technical study and review of its Production and Transmission Flow Metering Project in March 2013. In addition, the rehabilitation and installation of meters from the inlet of La Mesa Treatment Plants up to Bagbag Reservoir were indicated in the 2013-2017 Business Plan due for completion in June 2017.

4. RESULTS OF THE KPI BEMS EVALUATION PROCESS

The OMD, in 2016, continued to keep track of the KPIs BEMs utilizing the following indicators: Continuity of Supply (W2W3), Response to Disruptive Mains (C5), Billed Volume (IN1), Physical and Financial Accomplishment (CA2), and Non-Revenue Water (NR1). Table 4 below shows the highlights and summary of the results of the evaluation.

Table 4 Summary of Results of Some KPI BEMs Indicators								
	Manila Water				Maynilad			
	Actual	Target	%	Remarks	Acutal	Target	%	Remarks
Continuity of Supply (W2W3)	100%	98%	102.0%	Passed	98%	100%	98.2%	Failed
Water Availability	99.56%	98%	101.6%	Passed	75.79%	100%	75.8%	Failed
Response to Disruptive Mains (C5)								
Pipes Repaired within 24 hrs	100%	95%	105.3%	Paseed	20%	95%	21.1%	Failed
Billed Volume (IN1)								
Billed Volume in MCM	478.9	465	103.0%	Passed	20%	95%	21.1%	Failed
CAPEX Physical Accomplishment (CA2)	Incomplete submission				28%	31%	90.3%	Failed
Non-Revenue Water (NR1)								
NRW in %	11.49%	12%	104.4%	Passed	29.9%	32%	107.0%	Passed
NRW in MLD	171	173	101.2%	Passed	583	698	119.7%	Passed

In terms of responding to disruptive mains, Manila Water showed outstanding performance as the Company was able to repair all pipe bursts within 24 hours of reporting, translating to an efficiency rating of 100% and surpassing its target of 95% for 2016. As for Maynilad, performance was evaluated to be 20%, because its reports were limited only to pipe bursts with supply interruptions repaired within a 24-hour time frame. Maynilad failed to report the status of the pipe bursts without supply interruptions totaling 1,063 or 80.3% of the total confirmed leaks. The 20% efficiency evaluation remains, unless Maynilad informs that the subject pipe bursts were repaired within 24 hours.

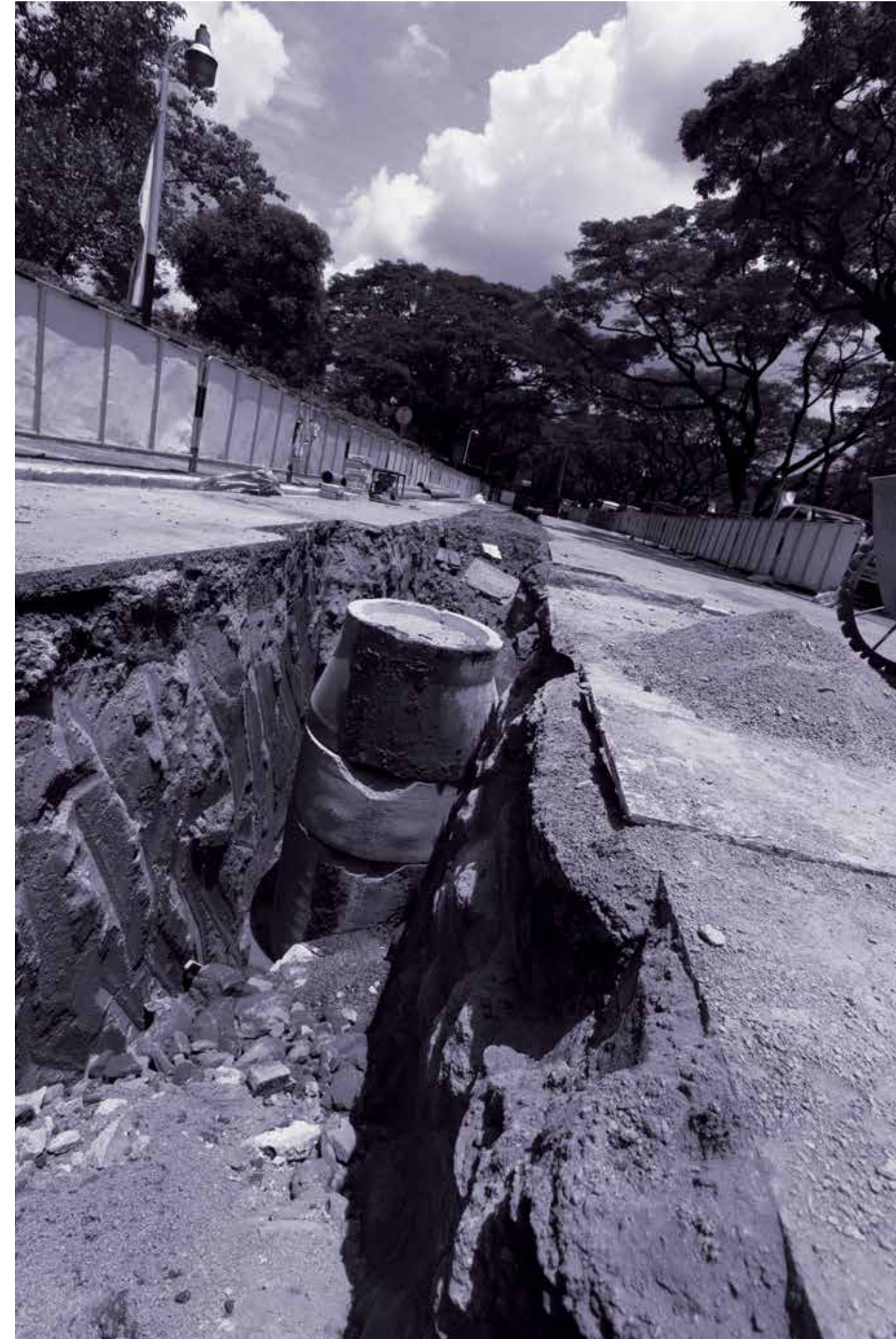
Manila Water obtained a passing mark in all the above indicators, except in the CAPEX Physical Accomplishment (CA2) evaluation wherein the company failed to report on its overall accomplishments. Thus, no analysis on performance vis-à-vis target was made. On the other hand, Maynilad was able to obtain a passing grade in the Non-Revenue Water (NR1) indicator.



5. OTHER ACCOMPLISHMENTS

The OMD worked for the implementation of the Enterprise Geographical Information System (EGIS) and the Technical Audit and Evaluation of the Concessionaires' CAPEX programs and projects. The EGIS will be instrumental to the Regulatory Office in the development of its own geo-database design that will be used to gather and analyze data vital to performance evaluation and to train Regulatory Office personnel in the use of the ArcGIS software and processes. The CAPEX Audit will help determine the need, efficiency, and requirements of CAPEX programs and projects.

In partnership with the WQCD, the OMD also conducted site monitoring and water quality testing of emergency repairs to the 600 mm mainline breakage accidentally hit by the backhoe of the Department of Public Works and Highways (DPWH) during a construction project along the Marcos Highway-Olalia Road, Antipolo City in January 2016. The Regulatory Office staff monitored one sampling point in the upper area at 9 Langhaya Street, Barangay Dela Paz and another at the fire hydrant located at GSIS Avenue corner Road 31, Cogeo, Gate 2 that serves as the watering point of water tankers. On-site parameters such as residual chlorine and turbidity were tested. All results were found to be within the PNSDW standards.



Water Quality Control Department

Since water is synonymous with life itself and thus, essentially supportive of human life as well as all other life forms, the Area's Water Quality Control Department (WQCD) works to shepherd concessionaire performance toward producing top quality water supply and wastewater treatment services. This involves the close monitoring and evaluation of waters entering and exiting the Concessionaires' supply and systems delivery points; and ensuring that these are compliant with local, national, and global standards for drinking water and wastewater. Abiding by established standards results in positive outcomes, such as preventing life-threatening diseases and supporting activities relative to country development.

Qualifying water for health and life support

In 2016, the WQCD collected a total of 1,618 samples (excluding resampling) from the distribution system to evaluate Concessionaires' performance in qualifying water distributed to Customers. "Quality" means that this was done through the random collection of samples at the designated Regulatory Sampling Points (RSP) determined at the start of every year.

Samples collected by the WQCD, including Maynilad and Manila Water samples, were evaluated for bacteriological compliance with the Philippine National Standards for Drinking Water (PNSDW) on treated water. Of the 24,193 total samples collected, 24,180 complied with the standards, earning a compliance rating of 99.95%. Of the samples collected by WQCD, only 13 of the 1,618 failed to come up to the standards. Samples collected by WQCD accounted for only 6.69% of the total number of samples evaluated (24,193). Manila Water samples accounted for 42.35% while Maynilad accounted for 50.96%.

Of the 13 failed samples, five were from the Manila Water Concession area (2 from Cainta, 2 from Antipolo, and 1 from Taguig) and eight samples from the Maynilad Concession area (3 from Quezon City, 1 from Pasay City, 3 from Caloocan City, and 1 from Rosario, Cavite).

There was no indication, from the investigations conducted jointly by WQCD and Concessionaire following bacteriological failure, of fecal contamination affecting other properties in the area. Mostly, investigations indicated that the failures may have been attributed to the unsatisfactory condition of the Customers' taps that often could not be adequately disinfected before a sample is collected. In each of these cases, resampling within the area demonstrated that there was no bigger issue apart from water quality.



All households that exhibited positive results were given advice on tap hygiene. Concessionaires were also reminded that inappropriate plumbing arrangements should be acted upon irrespective of sample results. Thus, the concerned Concessionaire responded by replacing sampling taps made from plastic materials with metal faucets, so that the adequate disinfection of the sampling taps can be made before water samples are collected.

Qualifying waste water for eco-system support

MWSS sewerage systems treat wastewater emanating from households and economic centers. Wastewater treatment results in the preservation and protection of Metro-Manila’s ecologic system including surface and underground water sources, through the control of toxic materials permeating these water bodies.

Wastewater effluents discharged to water bodies are monitored by the WQCD to determine compliance with standards set by the following orders: Department of Environment and Natural Resources (DENR) Administrative Order (DAO) No. 35, series of 1990, the Revised Effluent Regulations of 1990 /DAO 2016-08, and Water Quality Guidelines and General Effluent Standards of 2016.

In 2016, a total of 59 Sewage Treatment Plants (STPs) and Septage Treatment Plants (SpTPs) were monitored. Of this number, 39 STPs and SpTPs are operated by Manila Water and 20 STPs and SpTPs are operated by Maynilad. The Total Effluent Quality Rating for all the 59 STPs were posted at 98.17 %.

Also monitored in 2016, were 633 samples from the 59 STPs and SpTPs. The aims were to gauge the compliance of the Concessionaires with standards for operating environment-friendly sewerage systems and to further promote a healthy environment especially in waterways where effluents are discharged.

Table 5. Summary of Compliance with DAO 1990-35/2016-08

WQCD Samples	Total No. of Effluent Samples Monitored	No. of Effluent Samples not meeting the DAO	Percentage of Effluent Quality tests Meeting the DAO
Maynilad	208	10	95.19%
Manila Water	425	0	100.00%
Total	633	10	98.42%

Customarily, only one sample per facility is collected on a monthly basis. Each facility is rated according to their compliance with the five parameters of DAO 35 set by the WQCD Guidance Document on monitoring the quality of wastewater effluents. These are: 1) Biochemical Oxygen Demand (BOD), 2) Chemical Oxygen Demand (COD), 3) Total Suspended Solids (TSS), 4) Oil and Grease (O&G), and 5) Total Coliform (TC).

The compliance of Manila Water wastewater facilities was computed by taking the sum of the weight assigned for each of the five parameters: BOD-50%, COD-20%, TSS-10%, O&G -15% & TC-5%. Zero rating shall be given to any failed parameter. The required performance is > 95%.

In the case of Maynilad, facility performance is evaluated to be 100% when samples pass the five identified parameters; otherwise, the STP would merit 0% rating. The required performance rating was set at 100%. Any rating below 100% is considered failed.



Financial Regulation Area

Determining just and equitable rates

The Financial Regulation Area (FRA) of the Regulatory Office, with the support of its two departments, the Financial Audit and Asset Monitoring Department (FAAMD) and the Tariff Control and Monitoring Department (TCMD), discerns and determines just and equitable rates for the benefit of both the service providers and the Filipino families and communities they serve.

Putting quality potable drinking water on the tables and helping prop the Philippine economy through the provision of water supply and sewerage systems are, after all, objectives central to the accomplishment of the mission of the MWSS. Besides, rate

determination and audits on performance make sure that the Concessionaires responsibly manage their respective finances with transparency and accountability.

The FAAMD monitors and evaluates financial operations and status of Concessionaire programs that includes the validation of Cash Flows relative to tariff adjustment activities. The TCMD, in synergy, verifies and evaluates petitions for tariff adjustments and monitors compliance with approved standard rates and other charges as provided for in the Concession Agreements.





Financial Audit and Asset Monitoring Department

Innovating business efficiency models

A template for the submission of Monthly Trending Reports was developed as a Business Efficiency Measure (BEM) by the FAAMD. This was deemed to be an innovative business model as, with the use of this form, the FAAMD would be able to monitor more accurately the efficiency of Concessionaires in the performance of their functions vis-a-vis their Business Plans with greater ease and simplicity. The FAMMD submitted ten of these reports and submitted its own evaluation findings to the KPI BEMs Committee in the 2015 Annual KPI BEMs Report and the 2016 First Half KPI BEMs Report.

Conducting regulatory financial audits

Pursuant to Section 13.2 of the Concession Agreement, the FAAMD took the lead in charting the procurement process and in drafting the Terms of Reference and Cost Estimates of the consultancy services for financial auditors, which was approved by the MWSS Board of Trustees on March 31, 2016. However, procurement of the Consultancy Services for the 2016 Regulatory Financial Audit went through two failed biddings. With this development, the Regulatory Financial Audit scheduled for 2016 was included in the activities of the Fourth Rate Rebasing determination.



Tariff Control and Monitoring Department

Tracking foreign currency differential adjustment

Pursuant to the provisions of Amendment 1 of the Concession Agreement approved by the MWSS Board of Trustees under Board Resolution No. 487-2001 and 512-2001 dated October 1, 2001 and October 12, 2001 for Maynilad and Manila Water respectively, a Foreign Currency Adjustment (FCDA) mechanism was calculated for both concessionaires on a quarterly basis.

The computed FCDA amount and tariff impact on Customers are presented in Table 6:

Table 6. FCDA Amount and Tariff Impact				
Charging Period	Maynilad		Manila Water	
	Petition Received	Evaluation Submitted	Petition Received	Evaluation Submitted
2nd Quarter 2016	22 Feb 2016	03 Mar 2016	19 Feb 2016	03 Mar 2016
FCDA, (%)	1.38%	0.34%	1.23%	1.04%
FCDA, (Php/m ³)	0.13	0.12	0.31	0.26
3rd Quarter 2016	25 May 2016	01 Jun 2016	20 May 2016	31 May 2016
FCDA (%)	0.37%	0.32%	1.11%	1.02%
FCDA, (Php/m ³)	0.12	0.11	0.28	0.25
4th Quarter 2016	22 Aug 2016	01 Sep 2016	22 Aug 2016	01 Sep 2016
FCDA (%)	0.67%	0.59%	2.85%	2.85%
FCDA, (Php/m ³)	0.23	0.20	0.71	0.71
1st Quarter 2016	27 Oct 2016	01 Dec 2016	28 Oct 2016	01 Dec 2016
FCDA, (%)	0.55%	0.50%	1.81%	2.81%
FCDA, (Php/m ³)	0.19	0.17	0.70	0.70

Apart from validating and recommending the FCDA for the specified quarter, the TCMD also monitored the implementation of the new rates, on a random basis.



Knowing rates adjustment limits

Knowing the limits of adjusting the service rates is important to the financial liquidity of both Concessionaires as well as the setting of prices within the means of the Filipino consumer. Such limits are stipulated in the Concession Agreements. As provided for in Section 9.2 of the Concession Agreement, as amended, “The Standard Rates for water and sewerage services shall be adjusted each year effective January 1 of each Charging Year, in accordance with (i) the Rates Adjustment Limit (RAL) set forth in Section 9.2.1”. The RAL is defined as the percentage, either positive or negative, equals the sum of the percentage change in the Consumer Price Index for the Philippines (“C”), Extraordinary Price Adjustment (“E”), and Rebasing Convergence Adjustment (“R”) or $RAL = “C” + “E” + “R”$.

TCMD validated and recommended the Standard Rates that complied with the RAL for the Charging Year 2017 based on the following matrix in Table 7:

Table 7. Rates Adjustments Limit for 2017		
Factors	Maynilad	Manila Water
“C”	1.90%	1.90%
“E”	0.00%	0.00%
“R”	0.00%	-2.21%
RAL	1.90%	-0.31%

Apart from validating and recommending the Standard Rates for a Charging Year (i.e., 2016), the TCMD also monitored the implementation of the new rates, in most cases, together with the FCDA for the first quarter of the same year, on a random basis.



Other regulatory measures in 2016

In 2016, the FRA was active in the development of Frameworks/Implementing Rules and Regulations (IRR) that serve as guides in the required determination activities of the Regulatory Office, as provided for in the Concession Agreement and Amendment No. 1. The TCMD finalized the proposed Appropriate Discount Rate (ADR) Determination Framework. Subscription to the Bloomberg Professional Services was instrumental in the accomplishment, because the ADR Determination Framework was able to identify verifiable data sources that provide predictability and stability in the determination of the ADR. The FRA also revived the development of an IRR for FCDA determination, the intention of which was to develop more stable (i.e. less volatile) FCDA values by changing some of the current data base being used.

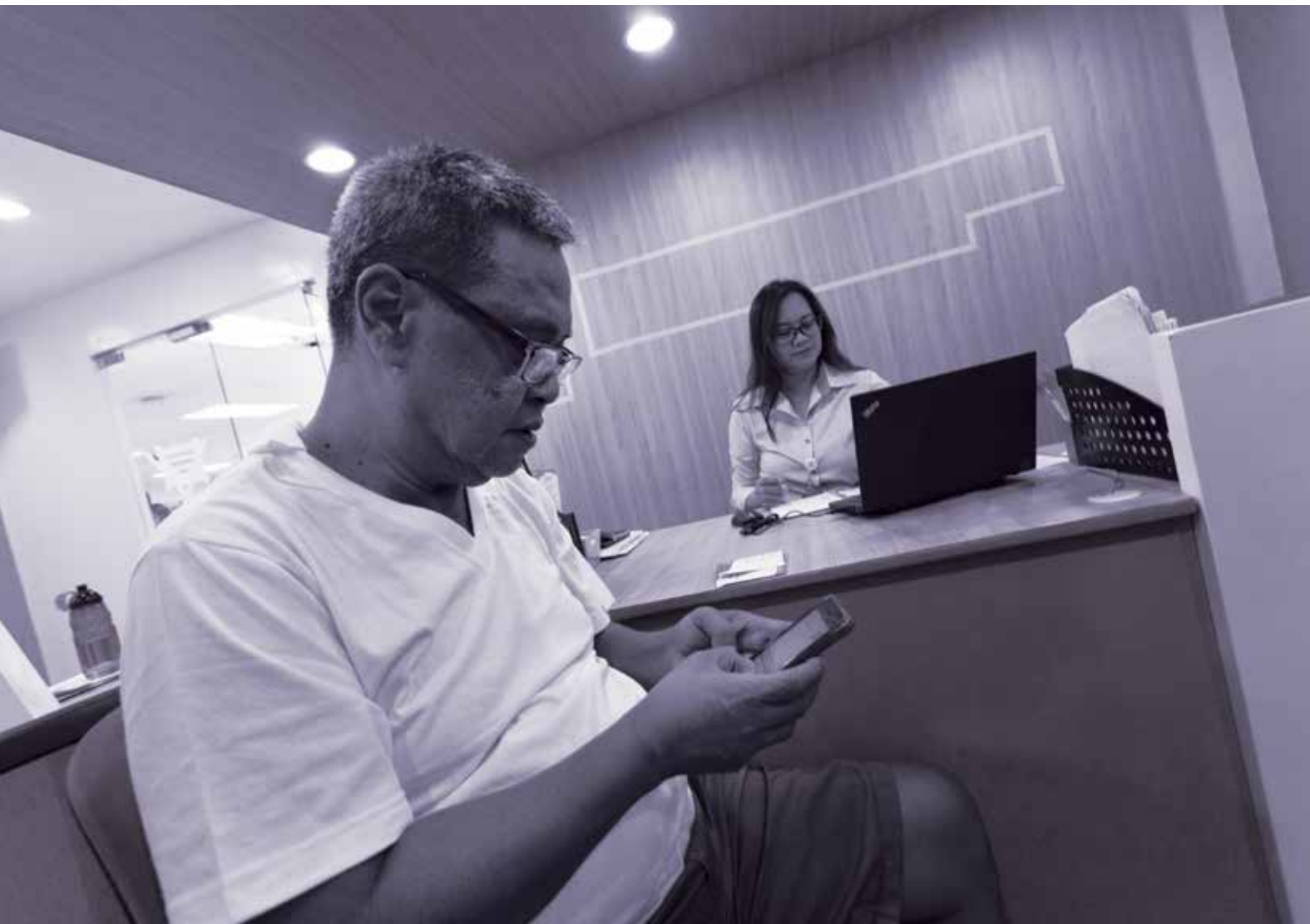
Through 2016, the TCMD performed its regular function of monitoring the annual inflation rates. Under the Concession Agreements, the average Consumer Price Index (CPI) will serve as the basis for calculating the rate of inflation as indicated in officially-released figures from the Philippine Statistics Authority. The CPI shall be used for the annual adjustments of certain charges and thresholds as shown below:

Table 8. Adjustments in the CPI-Based Items in the Concession Agreement		
Particulars	2015	2016
Annual Inflation Rate 1/	4.1%	1.4%
Annual Budget (Sections 6.2 & 11.2)		
Corporate Office	P489,287,516.00	P496,137,541.00
Regulatory Office	P489,287,516.00	P496,137,541.00
Connection Charge (Section 9.5(i))	P7,339.31	P7,442.06
Connection Charge 2/ (IRR No. 2008-06)	P2,446.44	P2,480.69
Reconnection Charge (IRR Nos. 2008-01 & 2013-01)	P200.00	P202.80
Procurement of Goods and Services (Section 6.10)	P611,609.00	P620,172.00
Appeals Panel per diem (Section 12.6(ii))	P6,116.00	P6,202.00
Low Income Household (Section 1)	P122,322.00	P124,034.00
1/ Annual Inflation Rate applied is the average inflation rate of the previous calendar year. For CY 2013 onwards, 2006-based CPI was used.		
2/ For Open/depressed Communities		



Customer Service Regulation Area

Knowing the minds, feeling the hearts of Customers



The Regulatory Office sees Customer relations as that area of the service that is the receiving bay or touch point between the provider and the Customer. This does not simply imply creating an environment that breeds and nourishes a transactional relationship. It also means cultivating a link beyond the cold of business toward the warmth of face-to-face encounters with the market – toward knowing the minds and feeling the hearts of Customers.

The Customer Service Regulation Area of the MWSS RO plays this role. It is responsible for monitoring Customer satisfaction against the performance of Concessionaires. It has two departments: The Meter Efficiency Department and the Complaints Service and Monitoring Department.

The Meter Efficiency Department formulates and recommends policies, rules, and regulations for the improvement of metering, billing, and water and sewerage service connections. It develops standards and evaluates the performance of the Concessionaires' Customer service efficiency. It also monitors metering programs, ensuring compliance with acceptable technical standards. It also monitors and evaluates Non-Revenue Water programs of both Concessionaires.

The Complaints Services and Monitoring Department recommends policies, rules, and regulations for the improvement of Customer service efficiency and develops standards towards service excellence. It is responsible for instituting a smooth feedback system, efficient monitoring, and faster resolution of complaints raised by Customers and interest groups. It collaborates with other Areas in monitoring Concessionaires compliance with provisions of the Concession Agreement targets and their commitment to provide alternative water supply and other Customer demands.

In 2016, the Customer Service Regulation Area monitored Concessionaire performance based on the following:

1. Key Performance Indicators

New Domestic Water Service Connections (W1). For the 4th quarter of 2016, Manila Water installed 7,622 new domestic water service connections while Maynilad installed 4,829 new connections. Total domestic water service connections billed as of December 31, 2016 was 954,301 for Manila Water and 1,251,301 for Maynilad. Combined domestic connections for both Manila Water and Maynilad totaled 2,205,602.

New Domestic Sewer Connections (S1). Manila Water installed 8,990 new domestic sewer connections while Maynilad installed a total of 767 new sewer connections for the fourth quarter of 2016. Domestic sewer connections summed up to 133,327 for Manila Water while billed services for Maynilad totaled 55,389 by December 31, 2016. Sewer domestic connections for both Concessionaires totaled 188,716.

Sanitation (S2). The total number of septic tanks desludged for the fourth quarter of 2016 was 22,420 for Manila Water and 27,633 for Maynilad. Cumulative total of septic tanks desludged as of the December 31, 2016 was 82,143 for Manila Water and 96,594 for Maynilad. Combined total for both Concessionaires was 178,737.

Service Complaints (C1). In 2016, Manila Water resolved 97.8% or 36,328 out of 37,146 service complaints while Maynilad resolved 98.6% or 56,904 resolved out of the 57,898 service complaints as reported in the KPI BEM Reports.

Billing Complaints (C2). Manila Water resolved 95.8% or 20,162 out of 21,503

billing complaints received while Maynilad resolved 98.6% or 56,904 of 57,898 billing complaints received by the end of 2016.

2. IRR Compliance Reports

Interconnection and Turn Over of Subdivisions. Manila Water converted 61% or 417 of the total 688 covered accounts as of the fourth quarter of 2016. For Maynilad, 70% or 1,264 of 1,809 subdivisions was individualized as of December 31, 2016.

Individualization of People's Organizations (PO). Manila Water converted 68% or 512 out of 757 covered People's Organization accounts as of December 31, 2016. Maynilad has no People's Organization accounts hence, was not covered by this IRR.

Disconnection and Reconnection of Water Service Connections. Manila Water reconnected 19,134 and disconnected 26,738 water service connection accounts for the fourth quarter of 2016. Maynilad has reconnected 23,936 accounts and disconnected 43,936 accounts, likewise for the fourth quarter of 2016.

Rate Classification and Billing Scheme of Small Scale (Home Based) Businesses. As of the fourth quarter of 2016, Manila Water reclassified 280 of the 293 accounts or 96% while Maynilad reclassified 1,599 of the 1,828 or 87% of the covered accounts reported.

Rate Classification for Places of Worships. Manila Water reclassified 96% or 706 out of 734 while Maynilad reclassified 97% or 846 out of 871 of the covered accounts as of December 2016.

Revised IRR in the Billing Scheme and Rate Reclassification for High Rise and Other Multiple Dwellings. Manila Water reclassified 234 out of 247 or 95% and Maynilad, 278 out of 341 or 82% of the covered accounts as of end of 2016.

Treatment and Rate Reclassification Rate Reclassification of Domestic Customers Inside Military and Police Installations. Manila Water reclassified 3 out of 5 covered accounts or 60% while Maynilad already reclassified all the four covered accounts.

Additional Water Meter and Transfer of Connection Tapping Point. For the fourth quarter of 2016, Manila Water has installed 2,880 additional meters out of 2,915 applications and transferred 14 out of 14 applications for the transfer tapping of connections. On the other hand, Maynilad installed 3,622 additional meters and transferred tapping connections of 12 applications.

Rate Reclassification of Certain Government Institutions. As of 31 December 2016, Manila Water reclassified 97% or 541 of 556 of the covered accounts while Maynilad reclassified 489 of the 584 or 84% of the covered accounts as reported.

Both Manila Water and Maynilad reclassified 93% or 3,094 out of 3,333 total accounts covered by the 2013 IRRs.

Observing accuracies in meter reading and testing

In 2016, the Customer Service Regulation Area conducted validation and verification activities on various accounts.

1. IRR-related Validation and Verification Activities on Accounts

For the fourth quarter of 2016, 43 accounts from Manila Water and 45 accounts from Maynilad were selected and verified by examining the meter reading and billing records. For 2016, verification activities made by Customer Service Regulation Area total 132 for Manila Water and 120 for Maynilad.

2. IRR-related Validation and Verification Activities on Complaints and Connections

In 2016, Customer Service Regulation Area verified and validated 44 sample Customers from Manila Water and Maynilad for KPI C2 (Billing Complaints) and 20 sample Customers also from Manila Water and Maynilad for KPI C4 (New Connections).





Feeling the minds of Customers on service efficiencies

1. Complaints Received

For the fourth quarter of 2016, nine complaints were filed against Manila Water and 23 complaints against Maynilad. As of December 31, 2016, the Customer Service Regulation Area received a total of 111 complaints, of which 107 or 96% have been resolved at the Concessionaires' level.

2. Status of Customer Complaints

Of the 32 complaints received for the 4th quarter of 2016 with three backlogs, 31 complaints were resolved with four still unresolved. The Customer Service Regulation issued 24 Resolutions which includes two Closure Letters for the 4thquarter 2016. For 2016, CSRA issued resolutions totaling 99, inclusive of eight Closure Letters.

With regard to the Governance Commission for GOCCs (GCG) 2016 target for Strategic Objective (SO) 5/SM14 that prescribes that at least 90% of complaints should be resolved within 10 working days from the submission for resolution, the Customer Service Regulation Area exceeded this target with 96% or 95 out of the 99 issued resolutions.

Analyzing Concessionaires reports on meter-related complaints

1. Meter-related Complaints

Five (5) invitations from Manila Water and four (4) invitations from Maynilad to witness the testing of Customers' meters were attended to by the MED for the 4th quarter of 2016. As of December 2016, a total of 10 invitations from Manila Water and 22 invitations from Maynilad for meter testing were received and witnessed by the Meter Efficiency Department.

2. Analysis of Reports on Meter-Related Data for 3rd Quarter 2016

Manila Water reported a total of 607 suspected defective and tampered water meters which were inspected and tested for accuracy. Eighty-two percent (82%) or 497 meters that were tested passed the flow accuracy test while 110 or 18% tested meters were found defective. Only 2 water meters were recorded as tampered. On the other hand, Maynilad reported a total of 384 suspected defective and tampered meters which were pulled out, inspected, and tested for accuracy.

Forty-four (44%) or 169 units passed the flow accuracy test and found to be in good working condition. Twelve percent (12%) or 46 units were found defective or with inaccurate registrations, while 169 or 44% of the 384 meters inspected and tested were found to be tampered.





Site and Field Inspections

1. Planned Water Interruptions

The Complaints Service and Monitoring Department conducted field monitoring and verification on October 4, 2016 on in Las Piñas, Muntinlupa, Parañaque, and Imus, Cavite that experienced intermittent interruption in water supply due to the continuous presence of a high concentration of Total Dissolved Solids in Laguna Lake, resulting in Maynilad's reduction of water production at the Putatan Water Treatment Plant.

2. Desludging Activities

The Complaints Service and Monitoring Department monitored the desludging activities of Maynilad on November 18, 2016 at the Odelco Subdivision in San Bartolome, Novaliches, Quezon City and at Bagbag, Novaliches on December 13, 2016.



Administration and Legal Affairs

Managing for better results

Administration Department

Results-based management yields learning that shepherds an organization and its working talents along the way to its goal of making lives better for Filipinos in capital Metro Manila and neighboring provinces. For the MWSS RO's Administration and Legal Affairs, the nurturing of human and other asset resources, particularly financial resources, lead to the organization's quality performance across its four Areas of involvement and task centers. Positive results and outcomes are the fruition of this investment.

The Administration and Legal Affairs has two departments, the Administration and Legal Affairs Departments. The Administration Department facilitates the maintenance, acquisition and procurement of goods, supplies, materials, and services vital to the day-to-day functioning of the Regulatory Office, while ensuring that expenses are in accordance with programmed and allocated budgets. It also handles the processing of payrolls and vouchers, the maintenance of the books of accounts, and other financial reports. All transactional dealings are recorded for management review to ascertain compliance with Commission on Audit (COA) accounting and auditing rules and regulations.

The Administration and Legal Affairs's Legal Affairs Department provides advice on matters involving interpretations of provisions in the Concession Agreement of the MWSS and the Concessionaires, and acts on other legal matters referred to it by the Regulatory Office Areas.

Consistent with requirements specified in the policy document of the Results-Based Performance Management System, the Governance Commission for GOCCs issued Memorandum Circular No. 2014-05 that lists all requirements for compliance with Good Governance Conditions, as well as conditions specific to Government-Owned and Controlled Corporations that qualify GOCCs to receive the Performance-Based Bonus (PBB).

In 2016, the Regulatory Office was declared compliant by the Inter-Agency Task Force on AO 25 (IATF25) Secretariat with the following:

- Anti-Red Tape Act, Citizen's Charter, or its equivalent
- Compliance with the submission and review requirements covering Statement of Assets, Liabilities and Net worth (SALN)
- Report on Ageing of Cash Advance Liquidation
- Agency Procurement Compliance and Performance Indicator
- PhilGEPs posting
- Transparency Seal, and
- Annual Procurement Plan

Additionally, the Regulatory Office complied with the payment of mandatory premiums in 2016 to the following:

- Government Service Insurance System (GSIS)
- Social Security System (SSS)
- Home Development Mutual Fund (Pag-



IBIG)

- Philippine Health Insurance Corporation (PhilHealth) and the Employees Compensation Commission (ECC), and
- All taxes due to government

The Regulatory Office submitted to the

Governance Commission for GOCCs and the COA concrete and time-bound action plans that address the COA's Notices of Disallowances and Audit Observation Memoranda if any, and the timely execution of all such plans that were executed at the time of Certification issuance.

Quality Management System

With assistance from Rosehall Consultants, Inc., the Regulatory Office drafted its Quality Management System Manual certifiable under the ISO 9001:2008 standard. All Regulation Areas contributed to the development of their respective processes that were made to conform to the criteria of quality management.



Learning and development perspectives

The Regulatory Office's total human resource talents as of end December 2016 reached 58. Of these, 54 are plantilla-based personnel while 4 are non-plantilla.

1. Personnel Recruitment and Selection

Three (3) talents received their appointments—one as Deputy Administrator for Administration and Legal Affairs, two as Secretary B for the Financial Regulation Area, while three received promotions.

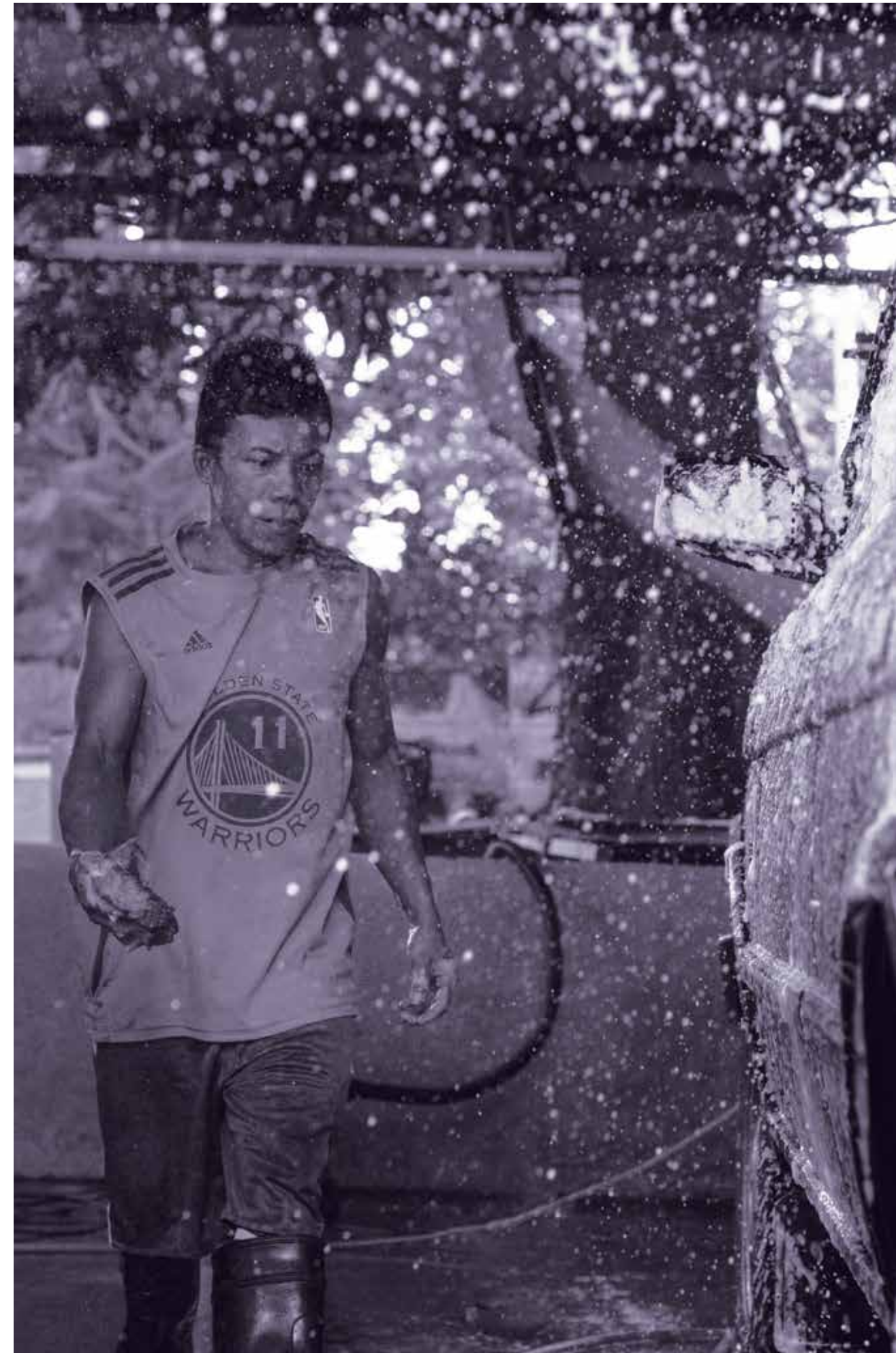
2. Retention, Compensation, and Benefits

Compensation administration is one area that was closely examined by the Regulatory Office in 2016 in order to give due recognition and value to its talents. The management worked for the timely release of all compensation and benefits due the staff.

Throughout the year, there had been zero-delay in the release of all compensation-related payments.

3. Performance Management

The Regulatory Office piloted the implementation of the first phase of the Strategic Performance Management System (SPMS) approved by the Civil Service Commission (CSC). This phase included the talents' initial target-setting that was primarily based on agreements concluded during the Strategic Planning Session and in accordance with the Regulatory Office's Performance Scorecard. Guided by the Regulatory Office Performance Management Team and the Planning Office, talents underwent performance monitoring and evaluation throughout the year.



Building staff capability

To build the capacity of staff and equip them further with the skills to excel in their respective task assignments, a total of 14 learning interventions were made available to RO talents, which consisted of two foreign and 14 local offerings. Three of these were in-house trainings.

Talent attendance reached an estimated 392 training hours. A total of 48 Regulatory Office management and employees or 91% of the staff attended at least one learning intervention. Some of the notable learning interventions are the following:

Competency Enhancement and Development. In its commitment to shift to a Competency-Based Human Resource Management (HRM), the Regulatory Office engaged the expertise of the Civil Service Institute (CSI) and completed four training workshops attended by select Regulatory Office and Corporate Office managers and employees. A draft Competency Catalogue was prepared. This is considered a milestone by the Administrative Department, though subject to the CSI consultant's refinement, review, and coaching.

Philippine Financial Reporting Standards (PFRS) and Philippine Public Sector Accounting Standards (PPSAS). Administration Department staff from Finance, Property, and HR as well as other talents whose duties require competencies in PPAS attended the seminar conducted by a COA-appointed consultant. The activity provided updates on the latest accounting and auditing standards. The seminar equipped participants with the capacity to spot possible "red flags" in financial and administrative reporting and address these.

International Training on Utility Regulation and Strategy. Former Deputy Administrator for Customer Service Regulation Maria Genaline R. Valera and Acting Deputy Administrator for Financial Regulation Christopher D. Chuegan attended this two-week international training course. This was organized by the Public Utility Resource Center (PURC) of the University of Florida in collaboration with the World Bank. The training sought to enhance the economic, technical, and policy skills required for implementing policies and managing regulatory mechanisms for infrastructure sectors.

Water Operators Partnership. At the instance of the Chief Regulator, the Regulatory Office participated in the Water Operators Partnership Program of the Asian Development Bank. The Program is a water utility twinning program designed to promote knowledge sharing and build the capacity of water utilities. The program brings together an experienced, efficient utility (known as the mentor) and a utility needing help to improve its services (known as the recipient). Four talents officers of the Financial Regulation Area visited the Independent Pricing and Regulatory Tribunal (IPART) in Sydney, Australia where both offices shared experiences in best practices in the regulation of water utilities. The twinning between the Regulatory Office and IPART aims to:

- a. Present IPART's guidelines in rate setting;
- b. Identify facets of IPART's guidelines that can be adopted by the Regulatory Office; and
- c. Enhance Rate Rebasing guidelines of the Regulatory Office.



Gender and Development - Health and Wellness Program

The Regulatory Office strives to create a gender-sensitive working culture where a deep respect for women in jobs is cultivated and practiced. This is important to infrastructure-related corporate settings where more and more women are joining the workforce.

The Gender and Development (GAD) Committee initiated health and wellness and sports programs that benefit and improve the capacity and well-being of Regulatory Office men and women talents. Sports and physical activities included the Biggest Loser competition, Bowling Tournament, Palarong Pinoy, Zumba, and self-defense sessions.

In November 2016, the Regulatory Office participated in the 18-day campaign on Violence Against Women (VAW). The GAD Committee spearheaded various activities such as the “desk yoga”, talk on VAW, and photo and painting contest with VAW as the theme, among others.



Utilization of 2016 Corporate Operating Budget

The Regulatory Office upholds the values of responsibility and accountability in the management of finances, and works within the limits of its approved budgetary allocation. On November 12, 2015, through Board Resolution No. 2015-130-RO, the MWSS Board of Trustees approved the Regulatory Office’s Php227 million Corporate Operating Budget (COB) for 2016. Of this amount, Php199 million was approved by the DBM for disbursement. The approved 2016 COB was sourced and collected as follows:

Table 9. Summary of Collections of the Regulatory Office			
Data Collected	Sources	Amount Php in Thousands	Percentage
1 January 2016	Projected Free Cash (CY 2015)	38,681	17%
29 January 2016	Concession Fee Allocation	188,225	83%
Total		226,906	100%

In 2016, a total of 622 disbursement vouchers (DV) were processed, of which only 10 DVs were cancelled due to errors and insufficiency of supporting documents. A total of 161 Bank Transmittals were processed during the year with no errors or cancellations. A total of 718 checks were prepared, of which 20 were cancelled due to errors and changes of signatories.

All statutory liabilities were remitted to the respective agencies within the prescribed period of time. For BIR, GSIS and Philhealth, the agency was mandated to remit statutory liabilities within 10 days of the succeeding month while in Pag-ibig (HDMF) remittances, the agency must remit liabilities within 15 days of the succeeding month.

The Administration Department, in conjunction with the Financial Regulations Area, prepared accounting registers and journals on a monthly basis that were recorded and summarized in an IT application that facilitated the preparation of Financial Statements (FS). The FS was submitted to the COA on a quarterly basis for review and the conduct of audit tests and procedures. Below is the summary of the registers, journals, and financial reports produced and submitted to the COA in 2016.



The Regulatory Office

Following privatization, the Metropolitan Waterworks and Sewerage System (MWSS) created the Regulatory Office as a regulatory body, operationally independent from the Corporate Office. It was formally established in August 1997 when the Concession Agreements signed between MWSS and its two Concessionaires, Maynilad Water Services, Inc. for the West Zone and Manila Water Company, Inc. for the East Zone, took effect.

Mandated to monitor the compliance of Concessionaires with their service obligations under the Concession Agreements, the Regulatory Office is responsible for regulating all aspects of the privatized water supply and sewerage system within all of Metro Manila, the entire province of Rizal, and parts of Cavite (the cities of Cavite, Bacoor and Imus, and the towns of Kawit, Noveleta and Rosario) and Bulacan (the city of Meycauayan and the town of Obando). Its functions include reviewing, monitoring and enforcing water rates and service standards, performing regular independent audits on the performance of the Concessionaires, monitoring the condition of infrastructure assets, and handling Customer complaints.

The Regulatory Office functions as a five-panel body composed of the Chief Regulator who has overall responsibility for the operations of the Office, and four other Regulators who are in charge of one of the four regulation areas—Technical Regulation, Customer Service Regulation, Financial Regulation, and Administration and Legal Affairs. With this setup, all actions and decisions by the Regulatory Office regarding substantive matters affecting the Concession Agreement require a majority vote of three members.

Our Vision

By 2020, an independent and internationally recognized Regulatory Office that protects, promotes, and fulfills the rights of the consuming public to safe, adequate, affordable, and reliable water supply and to environment-friendly sewerage system.

Our Mission

For Metro Manila and its adjacent towns, the Regulatory Office, through effective regulation, is committed to:

- Monitor compliance of the Concessionaires with contractual obligations;
- Monitor performance of the Concessionaires in providing adequate access to clean, potable, and affordable water;
- Monitor and enforce standards of service in the Concessionaires' delivery of water supply, water quality, and sewerage sanitation services, as well as ensure that such services fully cover their respective areas of operation; and
- Ensure prudence and efficiency in Concessionaires' implementation of their Business Plans, and in doing so, deliver affordable tariffs that will support the long-term water security program and environment-friendly sewerage system for all covered areas.

Our Core Values

Patriotism

We love our country; We serve to promote its common good.

Integrity and Professionalism

We work with honor and excellence.

Participatory Governance

We value the collective ideas of everyone.

Transparency and Accountability

We provide timely and accurate reports to our stakeholders.



Organizational Structure

Driver-Mechanic A



Data Analyst Controller



Mgmt. Info. System Design Specialist A



Secretary B



Artist-illustrator



Senior Public Information Officer



Head Technical Assistant



Chief Regulator



Secretary B SWURO, COS



Sr. Water Utilities Regulation Officer



Supvg. Water Utilities Regulation Officer



Secretary B WURO, COS



Principal Chemist



Sr. Water Utilities Regulation Officer



DM for Water Quality Control



Technical Assistant



DA for Technical Regulation



Sr. IRM Officer A



Finance Officer B



Finance Officer B



Chief Corp. Accountant A



Secretary B



Chief Corporate Attorney



DM for Administration



Technical Assistant



DA for Administration and Legal Affairs



Driver-Mechanic B



Driver-Mechanic B



Driver-Mechanic B



Driver-Mechanic B



Driver-Mechanic B



Admin Service Assistant, COS



Secretary B



Records Officer C



Fiscal Examiner A



Sr. Property Officer



Secretary B



Sr. Water Utilities Regulation Officer



Finance Officer C



Supvg. Water Utilities Regulation Officer



Supvg Financial Management Specialist



Secretary B



Sr. Water Utilities Regulation Officer



Chief Economist



DM for Tariff Control and Monitoring



Technical Assistant



Acting Deputy Administrator for Financial Regulation



Secretary B



Sr. Water Utilities Regulation Officer



Sr. Water Utilities Regulation Officer



Supvg. Water Utilities Regulation Officer



Supvg. Water Utilities Regulation Officer



DM for Metering Efficiency



Sr. Water Utilities Regulation Officer



Supvg. Water Utilities Regulation Officer



DM for Complaints Services Monitoring



Technical Assistant



DM for Customer Service Regulation





Moving Forward

It's all about stewardship – the custody of resources we have been gifted with since the Creation. We all need water, but we are FINITE. Water is one of the first-created basic elements and is INFINITE – making us its stewards to ascertain that it is nurtured – for generations of Filipinos to come.

In the same context, we in the leadership of the Regulatory Office are equally custodians who are finite. We pass on the stewardship of the Office to successors who carry on the torch of the mission for many years to come.

As initiatives are started and are taken forward, it is in the hands of the leaders, managers, and workers down to the tap lines of responsibility to see that movements in the four Regulation Areas of Technical, Financial, Customer Service and Administration and Legal Affairs flow well, with none of the impurities and particulates to push the Regulatory Office back.

We owe it to Filipinos that the cost of the water they consume are at just and equitable rates, that our two implementing structures sit on solid financial grounds, that we are one in minds and in hearts with our Customers, and that the members of our workforce are the capable and happy bearers of the goodwill of the service. As long as we are committed to the stewardship of a water-secure and water-safe Metro-Manila, Rizal, Bulacan, and portions of Province of Cavite, we stand ready to FLOW!

Credits

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