

Business Plan

Operational Innovations – Distribution Action Plan

The company aims to develop into an efficient and successful electricity distribution company by introducing innovative new technologies, adopting efficient process and systems, emulating best practices in the industry and providing best services I added value to its consumers.

The current distribution network is a legacy of the past. There have been several innovations and new practices in the utility business, which has assisted utilities in the country and the world to improve operational performance and provide quality supply of electricity to the consumers. It is the endeavor of the company to adopt best practices in the sector.

The company would adopt a bottom up planning process to identify requirements for renovation & modernization (R&M) and addition of new capacity in the network. The key initiatives to improve the operational performance and service parameters for quality and reliable supply of electricity are discussed below:

Modernization of Low Tension Distribution System (LTDS):

The LTDS has many shortcomings like high technical loss, voltage drop due to inadequate maintenance, system overloading I load unbalancing etc. The present network of the company is primarily based on LTDS (62%). Therefore to improve the efficiency in addition to LTDS modernization program; preventive & scheduled maintenance, maintenance of safety and earthing system, maintenance of distribution transformers, provision of adequate breakers and fuses etc shall be undertaken on priority basis.

Introduction of High Voltage Distribution System (HVDS):

HVDS has a lower technical loss than LTDS. Also it reduces the non technical losses by preventing unauthorized use of electricity. The company plans to introduce HVDS, to reduce AT&C losses especially

in areas with high losses. HVDS would also ensure accurate and universal metering of all connected consumers.

Demand Side Management (DSM):

With increasing load, inadequate generation capacity addition and higher peak load requirement; DSM has become an urgent necessity for utilities. The key objective of the DSM is to manage the load in such a way that the load curve is flattened. Successful implementation of DSM would require detailed understanding of the load curve (intra day and seasonal) of the company and thereafter introduction of tactical and strategic measures to provide incentives to consumers for shifting load from peak load to base load.

The company plans to introduce Time of Day (ToD) tariff and meters to all possible categories, whereby industrial High tension (HT) & Low Tension (LT) consumers, large commercial & large residential consumers would be assessed on ToD basis over the next few years. The company also plans to segregate agricultural feeders to assist in shifting of agricultural load to off-peak time and promote energy efficiency measures like the usage of capacitors amongst agricultural consumers. For effective DSM in the agricultural areas, switchable capacitors and single phase transformer system are being planned.

In addition to the above technical measures, public awareness program shall be initiated to promote energy efficient appliances like chloro fluoro lamps especially in public street lightings, advertisement hoardings on poles etc. Involvement of NGO's and interactive methods like "Nukkad Natak" shall be planned to create awareness for energy efficiency.

Energy Accounting and Audit:

One of the critical inputs for better planning of the distribution systems is acquisition and recording of energy flow data. The energy flow data at all interface points is critical information which assists in proper diagnosis of problems in the system and provides leads towards proper use of electricity. Therefore, an energy accounting and audit system is essential for prioritization of specific projects under various schemes like systems improvement program and HVDS.

A SCADA based system for energy accounting and audit will be implemented and consumer profiling & indexing shall be carried out in all the major towns of the company with detailed GIS mapping.

“Urban Agenda” - Distribution Infrastructure Planning for Urban Areas:

The Company has a significant presence of residential consumers and has a large network in the cities and towns. This would require the company to improve its infrastructure to reduce accidents and also require it to dovetail its planning to the overall urban plan for meeting public laws and traffic regulations and for overall aesthetic consideration of city planning. The company plans to take conversion of overhead lines with underground cables, which are safer than the overhead lines. The underground cables would also reduce the theft of electricity.

Improvement of Metering, Billing and Collection (MBC) Cycle

The management of MBC cycle is critical for ensuring commercial viability of the company. The company, therefore, seeks to bring improvement in processes and systems to ensure accurate and universal metering, proper billing and high collection efficiency.

The company plans to aggressively implement a meter maintenance program to ensure that all exceptional meters are identified and replaced, install state of art metering, install automated bill process starting with major cities like Baroda etc on a priority basis. In addition to the above, the company plans to modify the billing and collection systems to separately account for billing and collection for sale in year, assessment for prior periods, assessment for theft and unauthorized usage and corresponding collections, which would assist the company in accurate estimation of circle wise commercial losses and in arrears analysis.

The company also plans to provide greater emphasis on vigilance and recovery of arrear.

Programs towards Operational Excellence

The company shall endeavor to seek operational excellence and constant improvement by introducing programs like TQM, Six Sigma, Kaizen and other such management initiatives in all the functions. This would help the company to improve performance as well as reduce cost.

The company shall plan to get ISO-9001: 2000 certification for its processes and systems. This would assist in documenting the policies and practices of the company and identify areas for improvement with periodic audits.

The company shall also identify industry best practices in various functional and operational areas to bench mark its processes and systems with the leading utilities at the national and global levels.

Customer Relationship Management (CRM)

As a part of its objective to provide value to the consumers and improve their service experience, a customer-oriented organization shall be developed. The company plans to adopt CRM and associated tools in all its functions. The CRM initiative would assist in improving the core competencies of the company, develop services for the customer and generate constant feedback from the customer to identify any changes in their needs I preference so as to be the first to innovate in the market place. It would also facilitate cost reduction and increased margins by identifying and removing inefficiencies in the existing business processes.

As part of the CRM, efforts like setting up of call centers for information dissemination; complaint handling and bill related assistance to consumers and establishment of integrated consumer centers etc would be initiated. Also a B2C (Business to Customer) website would be planned and developed to maximize on line interface with the consumers.

Managing Competition & related issues

Presently, MGVCL is a monopoly in its area of distribution. However, in view of the options made available by the EA 2003 to the bulk

consumers for purchasing electricity from other sources like traders, genco etc the company plans to initiate steps to retain its consumers by tariff rationalization, outreach efforts like seminars, consumer fairs etc, program for identification and recognition of valued customers and training of employees to manage competition effectively.

In view of the stagnant industrial HT demand and risk of these consumers shifting to captive or other sources of supply the company plans to conduct a comprehensive consumer survey and market study to identify possibility of their migration and initiate an aggressive consumer contact program with the large consumers in each of the divisions.

Intra State ABT

With proposed introduction of open access, an Intra State ABT mechanism for scheduling of electricity would be set up in the state, in line with the Inter State ABT mechanism. This would require MGVL to participate in such a mechanism. Towards this end the company shall set up an "ABT Cell" to coordinate all the related functions. The key activities involved will be to accurately forecast the day-ahead schedule, coordinate dispatches and schedules with all open access consumers in its area of supply, coordinate with the State Load Dispatch Center (SLDC), manage real time (inter-day) demand variations to maximize Unscheduled Interchange benefits. This will necessitate a medium and long term demand forecast on scientific basis, which would also be required by the regulator, under Multi Year Tariff (MYT) regime.

Open Access

In view of introduction of open access, the company shall prepare systems to manage the applications for open access consumers, allocation of capacity, metering and billing of these consumers etc.

The company also plans to conduct a study to analyze the impact of open access on the company and quantify possible migration in each of the effected categories.

Sub Contracting I Distribution Franchisee

The EA 2003 allows the licensee to sub contract select services or supply of electricity in a part of its area of supply to a franchisee. This distribution franchisee model envisages out sourcing of specialized activities like metering, billing and collection, O&M of sub station, feeder or transformer, energy audit & consumer indexing and other such functions. Alternatively, O&M of all activities of a particular locality within the area of supply can be franchised. The implementation of franchisee is one of the essential conditions for availing funds under the Rajiv Gandhi Gramin Vidhyutikaran Yojana.

Towards this end the company shall identify functions I locality which can be taken up for franchisee, conduct a cost benefit analysis of each identified for the company; determine the structure and process of selecting a private participant for the same.

Planning, Performance and Monitoring

One of the key success factors for MGVCCL for operating successfully and profitably would be to develop an effective planning and monitoring mechanism. The company needs to develop a bottom up planning process, which would identify the requirements of the company at all the levels and develop an integrated plan with targets at all levels and focus on achieving the overall objectives of the company.

The key area of operational planning and forecasting would be consumer profiling, load forecasting, network augmentation planning, investment planning and repair and maintenance planning. Based on the same the financial plans like billing & collection plan, expenses plan and debt plan would be prepared.

For successful implementation of the plan, an efficient monitoring and review system will be developed. This would require development of a comprehensive database driven MIS to capture operational and revenue performance parameters from the field offices and collate the same in a central database and generate reports for management perusal and help in decision-making at all levels. This would be taken up as a part of the end-to-end ERP implementation project of GUVNL.

Performance Evaluation System

In order to induce performance orientation in the company, a performance evaluation system with monetary and non-monetary reward schemes will be developed to reward performance.

Training & Development

In addition to planning and monitoring, development of skills within the organization would help MGVCL to sustain high level of performance over a longer period. Towards this end, training will be provided to personnel at all levels in the company. These trainings are essential to upgrade and revitalize existing skills and also build new skills needed in the changed environment within the organization.

The training program would cover both technical and non-technical requirements of capacity building in the various functions.

Some of the newer areas where capacity building would be initiated within the company are accounting practices, secretarial and statutory function, supply code and standard of performance, open access and ABT, tariff filing under the MYT framework, customer orientation, computer skills, communication skills and refresher courses for normal operations amongst others.

Strong and effective regulatory Cell

The company plans to set up a strong regulatory cell to focus on compliance of the regulatory requirements including electricity supply code and standards of performance, intra state ABT, consumer grievance redressal forum and compliance of its obligations under the distribution license. The company plans to deploy systems to ensure timely compliance of all the requirements set in the electricity supply code and standard of performance regulations. It would ensure that no penalties are levied on the company for not meeting the Standards of Performance.

Also the company shall apply for Multi Year Tariff (MYT) based on the Financial Restructuring Plan (FRP) finalized and adopted by Govt. of Gujarat (GoG).

Alternative Financing Options

Currently the company is funding its capital requirements mainly by government grants and soft loans, its share of ADB's support, consumer deposits and internal accruals (mainly from the depreciation charged to the P&L) etc. However the company plans to raise resources through innovative funding mechanism such as debt swap, ring fencing, securitization etc, which would be explored in detail going forward.

Key Action Points:

This section lists the tasks to be performed by the company to develop into a world-class distribution utility. The detailed medium term and long term action plan for the next 3 – 5 years is being prepared separately in the Medium and Long Term Business Plan.

Short Term Objectives

Stakeholders Perspective

- a. To develop the capability to manage the public affairs
- b. To develop effective communication channel with various stake holders

Management Perspective

- a. To identify and implement best practice in the utility sector
- b. To identify new sources of funds for resource mobilization
- c. To instill a culture of continuous improvement
- d. To cultivate a competitive culture in the company

Consumer Perspective

- a. To instill consumer oriented approach in the organization
- b. To simplify the customer interface and documentation
- c. To manage consumer consumption patterns
- d. To ensure correct billing of consumers
- e. To improve redressal of billing complaints

Operational Perspective

- a. To improve quality of supply to the consumers
- b. To eliminate loss and theft of electricity
- c. To increase per capita Consumption
- d. To reduce operating costs of the company
- e. To develop and implement policies to maximize the return on projects
- f. To exploit new revenue generating opportunities
- g. To meet the new standard of performance code
- h. To develop employee competencies to meet business needs
- i. To improve collection efficiency
- j. To improve health and safety of the distribution network

Short term Action Points

Key Focus Area	Action Agenda for Short Term
Consumers Interface	<ul style="list-style-type: none"> a. Initiate Brand Building amongst the consumers b. Initiate outreach efforts with HT & other high value consumers c. Set up Consumer Call Centers d. Conduct Consumer Satisfaction Survey through an independent agency to identify the areas of concern and improvements by the consumers.
Key Focus Area	Action Agenda for Short Term
Strategy and Policy	<ul style="list-style-type: none"> a. Establish profit and cost centers b. Sub Contracting through Franchisee c. Set up center of excellence for introducing new innovations and techniques like Kaizen, 5 S, 6 Sigma etc, getting ISO:9001:2000 certification and Bench Marking with Industry best practices
Specialized Corporate Functions	<ul style="list-style-type: none"> a. Set up Legal & Contract Cell b. Set up Corporate Finance Cell c. Set up Regulatory Affairs Cell d. Set up Secretarial and Statutory Cell
Energy Management	<ul style="list-style-type: none"> a. Initiate Demand Side Management b. Adopt best Energy Accounting and Audit Practices c. Introduce Peak load Management d. Get prepared for Intra state ABT
Business systems and processes	<ul style="list-style-type: none"> a. Introduce Indian GAAP based Accounting System b. Start accrual based accounting for revenue and collection management and conduct arrear analysis c. Introduce Regulatory Accounting d. Introduce adherence and monitoring of Standards of Performance e. Develop systems for MYT framework f. Introduce economic accounting for Cost to Serve and AT&C calculation g. Introduce Energy Planning and Forecasting Systems h. Improve Investment Planning and Project Management Systems
Operations	<ul style="list-style-type: none"> a. Implement Modernization Program of LTDS b. Aggressively implement of HVDS c. Introduce State of art metering system d. Conduct consumer indexing and profiling studies e. Develop preventive and scheduled maintenance and monitoring system
Human resources	<ul style="list-style-type: none"> a. Develop Capacity Enhancement Programs (Training and Development) b. Conduct Change management workshop c. Introduce performance linked Employee Evaluation d. Introduce Knowledge Management e. Conduct Employee Satisfaction Survey
IT & MIS	<ul style="list-style-type: none"> a. Implement Integrated Performance monitoring and Reporting system (PMRS) b. Execute Citizens Charters Adherence Software (CCAS) c. Develop B2C Website to manage online interface d. Introduce Group WAN and web mail e. Develop a Consumer Analysis Tool f. Develop a Transformer Management System

KEY ANNUAL TARGETS

The key annual performance targets of the company are given below:

Financial Performance Targets

Parameter	FY 2005 (Provisional)	Target for FY 2006
Sales (in MU)	3982	4209
Revenue in (Rs. Cr.)	1287	1422
Total Income	1356	1496
Average Revenue Realization (Rs. per Unit)	3.23	3.38
Reduction in AT&C Losses	22.89%	19.89%
Capital Expenditure Rs. Cr.	125	269.93
Gross Margin	5%	6.18%

Note: The Revenue does not include the GERC tariff compensation subsidy and the agriculture subsidy.

Physical Performance Targets

Plan	Parameter	Physical
Urban Agenda		
	Shifting of Poles obstructing Road Widening	1000 Nos
	Shifting of Transformer Centres	250 Nos
	Replacement of Overhead Lines by UG Cables	63 Kms
	Ring Main Units	36 Nos
	Renovation and Realignment of Conductors	25 kms
	Nagrik Suvidha Kendra	10 Nos
	GIS in Towns	5 Towns
	Auto Power Factor Controllers	25 nos
Annual Action Plan		
	Switchable Capacitors on Rural Feeders	50 Nos
	High Voltage Distribution System : 1 Sub-division	1 SDO
	Hand Held Instruments	500 Nos
	Automatic Meter Reading for HT and High Value LT Consumers	2000 Nos

Plan	Parameter	Physical
Rural Area Electrification		
	No. of Villages to be Covered Under Jyothigram	2157 Nos
	New Service Connections :	61140
	Residential - 60,000 Nos.	
	Industrial - 1,100 Nos.	
	HT - 40 Nos. s	
	Well Electrification	1240 Nos
	Electrification of Peta para	851 Nos
	Replacement of Meters	500000 nos
	Providing Metal Meter Boxes	300000 Nos
APDRP		
DISTRIBUTION	Metering (3 Ph Static meters with MMBs, accessories in rural and Urban Areas)	4500 Sets
	- LT static meters with mmb on industrial connection	2162 Nos
	- Replacement of 1 ph meters by static/quality meters	57500 Nos
	- Replacement of 3 ph lighting meters by static/quality meters	500 Nos
	- Providing 3 ph electromechanical meters on agl. connection	1650 Nos
	- 11 KV feeder bifurcation	8 Nos
	- 11 KV link line for new 66 KV sub station	5 Nos
	- Renovation of 11 KV feeder	75 CKT-KM
	- Renovation of LT Line	50 CKT-KM
	- Shifting of Ag. connections from Urban to Rural feeder	160 Nos
	- R&M of DTC	2018 Nos
	- Establishment and computerisation	30 Nos
	- Testing/calibration and monitoring equipment for energy meters	29 Nos
	- Consumer Indexing	87092 Poles Consumer
SUB-TRANSMISSION	- Mobile Communication System	134 SET
	- Establishment of new sub station with lines	1 SET