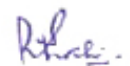




Message from Shri R.V. Shahi, Secretary, Ministry of Power



Shri R.V. Shahi
Secretary Power
Ministry of Power


(R.V. Shahi)

It gives me immense pleasure to see this issue of DRUMbeats, the newsletter of the DRUM project. This is an important step forward that will help spread the message of reform throughout India's power distribution sector. According to an old saying, "knowledge is power." DRUMbeats will increase knowledge of the important issues in electricity distribution and enhance the most important resource any discom has; its human resources. A key ingredient to success will be the ability of power sector people, especially distribution managers, to re-skill and reorient themselves to take-up greater challenges. The DRUM project has an ambitious target to create centers of excellence in power distribution at four pilot sites in different states. That initiative draws on the knowledge and experience of many highly motivated managers and engineers whose efforts have produced a holistic template to pursue a new and better future for all India. DRUMbeats will showcase the many exemplary accomplishments that are underway now and exchange knowledge amongst the power professionals and others interested in reform.

I wish the DRUM Team all the best in their endeavors.

Wishes by S. Padmanaban, Sr. Energy Advisor, USAID

The essential goal of the DRUM Project is to spark a revolution - a revolution in the way electric service is delivered in India. To do this, we first need to change the way everyone thinks about electric service and then we need to change the way we actually approach and manage every aspect of the business. The DRUM Project has made a good start, but now we must spread the word nationwide.

DRUM must recount vividly the lessons learned and experiences gathered while letting the world know the success stories of its partners; state and central government departments and agencies, electricity discoms, training institutions and service providers. Perhaps, we also need to stir up a little bit of thinking outside the box.

Everybody in the value chain, including customers, employees, regulators and policy makers, shares a common need to unlearn the ways of the past then learn and relearn the ways of the new. The name of the DRUM Project's communications medium is DRUMbeats. It is aimed at providing a reliable source of information to help every stakeholder adapt to change.

Our hope is that DRUMbeats will help disseminate pertinent information and quench the thirst for knowledge and thus lead the pace and direction of change. The DRUM Project is a combined effort of India's Ministry of Power and USAID. It is aimed at demonstrating best commercial and technological practices to improve the quality and reliability of "the last mile" of electricity distribution while also enhancing commercial viability. This, we know, is a daunting challenge. Nonetheless, we believe it is a worthy challenge that will benefit millions of Indians, not just the companies.



S. Padmanaban
Sr. Energy Advisor,
USAID

DRUMbeats can provide a forum to share information, stimulate a culture of learning and lead to the replication of successful models throughout the country. I am confident that as more people hear the DRUMbeats of change, the greater will be the probability of achieving the lofty goals set for DRUM. DRUMbeats will help to spread the word of reform across the length and bread of this great country and showcase what can be done to create centers of excellence in electric distribution and energy efficiency for others to learn, improve and replicate.

I wish the best of luck to the DRUM Team and their partners and collaborators everywhere !

Project Overview



DRUM is an innovative and ambitious project jointly developed by USAID and India's Ministry of Power (MOP) to help accelerate power distribution reforms. The goal of the DRUM Project is to create "centers of excellence" in distribution to demonstrate commercially viable electricity systems providing adequate supplies of reliable power to consumers and to establish a replicable and commercially viable framework.

There are two urban sites, Aurangabad Division-I of the Maharashtra State Electricity Distribution Company, Ltd., and Shaktinagar business unit under North Delhi Power, Ltd, and two rural sites, Dodaballapur Sub-division under Bangalore Electricity Supply Company and Umreth Sub-division under Madhya Gujarat Vij Company, Ltd. The result was an interesting mix of challenges that includes India's capital city plus an "old city" urban location in addition to two rural sites, one at the fringe of the boomtown of Bangalore and the other in an agrarian community an hour from Vadodara, one of the largest cities in Gujarat.

The DRUM Team established a collaborative process with each company to identify their best practices using the classic people-process-technology taxonomy. This activity included the definition of key performance indicators (KPIs) for each business process. This process defined the end result -the Center of Excellence- in terms each company could relate to and according to the unique circumstances of each. The next step was to do an "As Is" assessment of the site to compare the actual conditions with the desired end result, i.e. the Center of Excellence as defined by the model company in terms of best practices and KPIs.

REC-RUS Partnership

The Ministry of Power, Government of India have chosen REC as one of the DRUM implementing agencies for the distribution reforms demonstration projects and have secured the assistance of Rural Utilities Services (RUS) of USA to help REC develop & demonstrate an alternative financing vehicle for viable & sustainable rural electricity services with a view to advance electric power distribution reforms by India. The objectives of the REC-RUS Cooperation are:

- Designing financial programs for rural electricity distribution entities based on sound lending principles.
- Developing institutional capacity to implement alternative models such as electric cooperatives for improved electricity service provision and revenue collection in rural areas.
- Establishing financial performance, technical and engineering standards relevant to Indian rural electricity distribution companies.

In pursuance of the role assigned by the Government of India, REC has been interacting closely with the RUS to understand how the features of their program for financing the rural electrification utilities, which has been a great success in USA, could be adopted in India for an alternative model of financing the rural electrification utilities to develop them into viable & sustainable entities. After studying the RUS system in detail and close interaction with them, REC proposed to implement an alternative model for financing rural electrification projects in India.



Indian delegation visit to Payne Creek generating station run by conglomerate co-operatives in Florida

Using the model / best practice / KPIs as a frame of reference, “the gaps” between where they were and where they wanted to be were identified. Detailed Project Reports (DPRs) were developed to define the projects needed to bridge the gaps for creating the conditions defined by the Best Practices. The projects are now being implemented at each pilot site along with initiatives including human resource capacity building, change management practices, effective cost recovery mechanisms and customer service improvement measures. USAID is providing grant funding for breakthrough projects involving IT infrastructure and certain demonstration equipment. In parallel with the mission of showcasing the “Centers of Excellence”, DRUM has a long-term pan-India commitment to human capacity building. This initiative is being led by a DRUM Secretariat established by the Power Finance Corporation (PFC).

Upon completion of the DRUM Project, “Centers of Excellence” will have been created in the pilot sites. These will embody the “best practices” adapted for each site in the Indian context and they will serve as models for others to see. The goal is to create a model of excellence that can be replicated. The highest standard of success will be to see the model distribution company and its best practices promulgated throughout the country and then adopted by other electric distribution companies. Under this model, low-cost funding of RE projects will be based on the financial strength of the borrower rather than on the support of Govt. Guarantee.

This alternative model places emphasis on social mobilization, accountability and quality of service through upgradation of processes and technology to ensure viability and long-term sustainability of the electricity service providers by making consumers the stakeholders in the electricity service business. This is proposed to be tested through a few Pilot Projects to be taken up by REC which are expected to significantly contribute in technology upgradation by developing the processes for optimization/maximization of operational efficiency, effective maintenance and construction standards including adherence to strict operation and maintenance guidelines and standardized manuals and procedures for periodic views and enhancing adaptability towards new technological changes.

Franchising is the “New Thing” in India's Power Sector

Franchising is one of the most successful business innovations of the last half-century. It has been adapted to a variety of retail markets and now it is being tested in India's pioneering experiments with franchising in the electricity distribution sector.

As demonstrated by the emergence of many businesses offering a surprisingly broad range of products and services, franchising is not just for burgers. Globally, the universe of products and services that fall under the umbrella of franchising in all its forms includes a surprisingly broad range of offerings from burgers and pizza to white goods and electronics as well as consumer services such as residential real estate sales and domestic cleaning services plus business support services from copy centers to executive office suites. Increasingly, franchising opportunities include more sophisticated offerings such as business cost reduction services and high tech diagnostics.

The advantages of a franchise are that the business concept is often proven, the customer base is known, the demand for the product or service can be evaluated and future growth can be estimated with a reasonable degree of certainty. Ordinarily, the franchisee has exclusive rights to a defined service area and relationships with key suppliers that are already established.

The business space occupied by franchising encompasses a range of business concepts, including the classic franchise as well as distributorships, dealerships, agencies, licensees and multi-level marketing. The traditional franchise occurs when the owner of a business (the franchisor) grants a license to an individual or company (the franchisee) to use its business idea. Typically, the franchisee pays an initial fee plus royalties as a percentage of sales and/or purchases supplies and services (e.g. advertising) from the franchisor.

India is a pioneer in adapting the franchising concept to the retail end of the electric supply business. The concept is being applied in rural areas where the basic business proposition calls for entrepreneurial individuals or companies take up some, many and, ultimately, most of the business processes required to deliver quality service.

BESCOM, a DRUM counterpart, received a strong response to its request for EOIs for its Independent Business Franchise (IBF). EOIs came from one major MNC and several major Indian corporates plus a few entrepreneurial players. MSEDCL, another DRUM counterpart company, recently signed a franchise agreement with Torrent Power. More innovative franchising deals are expected to be spurred by inclusion of the franchise concept in the Govt's Eleventh Five-Year

Plan. The proof will be in the doing but, if successful, the franchise concept could change the way electric service is delivered in India.

Interview with Shri Gonal Bhimappa, Managing Director, BESCOM on engagement of Independent Business Franchisee

Q. What is BESCOM's role in DRUM Program?

Under DRUM, BESCOM has been a partner utility and has designed a slew of projects for creating a center of excellence at its Dodaballapur Subdivision. Bescom has committed an investment of Rs. 24 Cr. for this purpose and the physical implementation of the project will commence in 1-2 months with initiatives including human resource capacity building, change management practices, effective cost recovery mechanisms and customer service improvement measures.



Q. What is the rationale for BESCOM's implementing the Franchisee arrangement at DRUM's pilot site at Doddabalapur?

In parallel with the implementation of physical works under DRUM, BESCOM is very keen to test new concepts at Dodaballapur to realize its mission of achieving complete customer satisfaction and bringing in new management practices for improving operational efficiency. Against this background the franchisee model has been developed by Bescom for becoming a pioneer in adapting franchising to the retail end of electricity supply chain. BESCOM has the organizational capability and willingness to join hands with a partner-franchisee to deliver quality and reliable power to its consumers. Moreover, Bescom is committed to make this public-private partnership initiative a win-win venture whereby both the Bescom and the partner-franchisee will derive economic benefits

Q. What is the current status of implementation of Franchisee model at Dodaballapur?

BESCOM has received encouraging response to its solicitation of Expression of Interest for the Franchisee model with interest being shown by several corporates plus a few entrepreneurial players. A pre-bid conference was organized on Jan 12, 2007 to address the queries of the interested parties seeking clarification on contents, deliverables, deployment and sustainment of the model. We intend to issue final RFP by the end of February'07 so as to operationize model by May 2007.

DRUM Executive Management Program Gaining Momentum

An innovative DRUM initiative was launched in July 2005 through Executive Post Graduate Diploma in Business Management: Energy Management Program (with specialization in Power Distribution) at Management Development Institute, Gurgaon. The program has been envisaged to create a pool of power professionals who will play a vital role in heralding new paradigms of change in power distribution.

The program has been a roaring success with the first batch of 49 transformed power people having already completed twelve months of residential course-work followed by a three months action oriented research project. The Second batch consisting of 51 people from various power utilities is currently under progress. The admission process for the third batch 2007-08 will start from January, 2007.



Anoop Shukla
MD, MGVCL

Why did MGVCL involve themselves in the DRUM project?

MGVCL's vision is to provide reliable and quality power at a competitive cost and to reach global standards in reducing distribution losses. DRUM embodies similar principles and envisages creating Center of Excellence. The convergence of our vision and DRUM goals has led us into involving ourselves into this watershed project of the power sector.

What have been the accomplishments till now?

DRUM has facilitated us in sustaining the momentum of reforms and keeping us focused on improving our business process functions, especially reducing AT&C losses, improving reliability indices, and arresting transformer failure rate at our pilot site at Umreth. This has resulted in remarkable improvement in our KPIs. As for project implementation, procurement is in progress in full swing and field implementation has started for network upgrade projects including innovative projects like installation of Fault Passage Indicators at vantage nodal locations of the HV network. We expect that the field implementation of DRUM will be completed by Sept '07 and

subsequently a learning curve will be generated which we will leverage for future improvements.

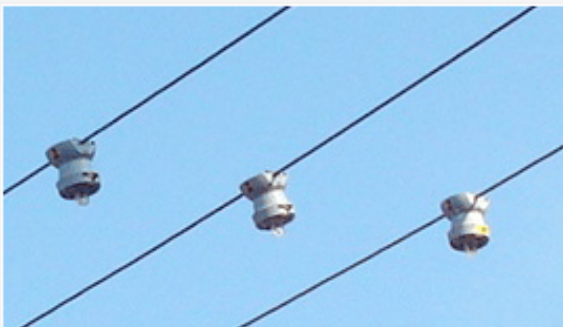
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What is the response of MGVCL's employees towards DRUM?

Our employees are the project sponsors and owners of DRUM. It has reinforced the values of measurement and benchmarking and our people have accepted the challenge. Moreover a number of employees have undergone training under various modules of DRUM training. In addition our employees have joined both management as well as advance certificate courses launched under DRUM. They have greeted DRUM as an opportunity for learning and improvement.

Snapshots

Field implementation at MGVCL has started with installation of Fault Passage Indicators (FPI) on vantage locations on two 11kV feeders. FPI facilitates field personnel to locate the fault speedily and MGVCL field staff have already started reaping benefits out of FPI. The fault location time on feeders with FPIs has been reduced from 8 hours to one and a half hours indicating an improvement of 81%.



Members of the delegation team

Under DRUM a 15-member Indian delegation led by Gireesh B. Pradhan, Joint Secretary (Transmission), Ministry of Power, made a two-week long trip to United States of late. During the trip the participants met counterparts in U.S Department of Agriculture, seven electric co-operatives, two private companies, National Rural Electric Co-operative Association, Co-operative Finance Corporation and Colorado State University. The delegation had a first-hand feel of customer centric approach to electricity services, system losses minimization initiatives and human capacity building of US cooperatives and other utilities.

A pictorial view of the Fault-Passage indicators
on 3-phase 11kv feeders.

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