



About DRUM :

The Ministry of Power (MoP), Government of India and USAID/ India designed the Distribution Reform Upgrades and Management (DRUM) project with the purpose to demonstrate best commercial and technological practices that improve the quality and reliability of 'last mile' power distribution. For more information on DRUM Project, please visit: www.drumindia.org

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Interview of Dr. Ajay Bhushan Pandey, IAS, MD, MSEDCL



Ever since, Dr. Ajay Bhushan Pandey, IAS has taken over the responsibility of the Managing Director (MD) of Maharashtra Supply Electricity Distribution Company Limited (MSEDCL) in October, 2006, he has provided a new fillip to the DRUM implementation at Aurangabad by means of his unstinted commitment and inspiring leadership to the project. Reena Suri of DRUM team spoke to him the other day to piece together his insightful thoughts on how DRUM's vision of creating center of excellence is enmeshing with the MSEDCL's goal of becoming a vibrant, innovative and customer-centric utility. Excerpts from the interview...

What are the benefits that you perceive MSEDCL has derived being a partner utility for the DRUM project?

MSECDCL or its parental organization, MSEB has always embraced innovations and novel ideas. Be it introducing "Time-of-day" tariff in 1997 or establishing computerized load dispatch center or achieving 100% in rural electrification in 1989, the electricity sector in Maharashtra has always accomplished trail-blazing performance. Against this perspective, DRUM, with its appeal to improving the last mile of electricity distribution, has struck a responsive chord in the rank and file of MSEDCL, especially at its pilot site at Aurangabad. Moreover, DRUM has a focus on measurement which drives improvement. Of late, we have inked partnership agreements with two rural cooperatives in the US, Morgan County and Poudre Valley, for mutual exchange of best practices. I am confident such partnership will help our people to imbibe best distribution practices and provide them with a unique learning opportunity.

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 Aurangabad. As a result, the business parameters have also started improving being on the radar screen all the time. As for the project implementation, the contractual modalities for implementing technical works have been completed. We have dedicated people for accelerating the progress by way of creating a Sub-division for implementation of DRUM at Aurangabad. I am sure that the tempo of the field activities will pick up soon. Now our challenge lies in ensuring quality workmanship, superior equipment installation and timely completion. Therefore, a system of periodic reviews and robust quality assurance has been put in place for effective monitoring

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and oversight. It is our intention to create a center of excellence with the best key performance indicators in the country.

How is DRUM helping to develop MSEDCL people?

People management forms the center piece of our organizational philosophy. Without people's intense involvement and continuous development, MSEDCL cannot achieve its goal. DRUM has really helped us immensely in this regard. At least 1500 MSEDCL employees have undergone different functional training programs under DRUM and around 10 officers have completed Post-graduate Management course at MDI, Gurgaon. Currently, an attitudinal reorientation program covering operational, tactical and leadership tiers is going on at Aurangabad and 290 people have attended such training. The purpose of this program is to help the employees renew their emotional contract with the Company and internalize the concept of center of excellence. I am sure that training of various modes and methods will play a transformational role in MSEDCL.

What is your plan for engaging an Input-based franchisee at Aurangabad?

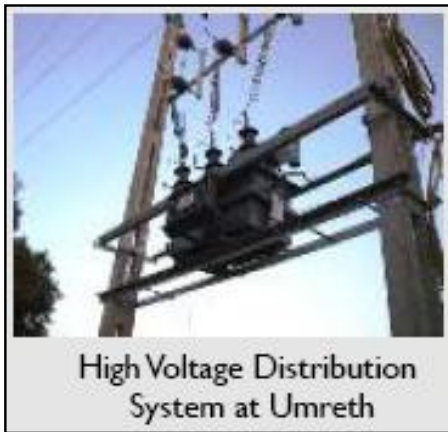
Franchising the retail end of electricity supply chain can result improvement in customer service and operational efficiency. Playing a pioneering role, MSEDCL has successfully operationalized an Input-based Franchisee (IBF) at Bhiwandi circle in January'07. Similar process is on the anvil to engage an IBF for Nagpur city. Subsequently, bids will be invited for engaging an IBF at Aurangabad Divisions.

Project Updates

It gives us immense pleasure to report progress on the field implementation of the Distribution Reform, Upgrades and Management (DRUM) Project. All of our four partner-utilities, MSEDCL, MGVCL, Bescom and NDPL have started the implementation work in right earnest and the project is gathering momentum to reach a cruising speed.

Our Aurangabad site under MSEDCL has already geared up in its journey towards creating centers of excellence. Network augmentation and modernization works involving construction of new sub-stations and feeder outlets have been launched and High Voltage Distribution System (HVDS) is being installed at densely populated areas as a pilfer proofing measure. To complement energy audit and accounting, new meters are being installed replacing old and defective meters which have been fallen prey to dishonest delinquency. Pre-paid metering scheme is being introduced for new construction works and temporary services. New initiative has been taken to revamp IT infrastructure so that all the office facilities within Aurangabad will be connected to each other and all the officers will have access to internet. Efforts are on to spruce up all the offices signifying navigation towards a change.

MGVCL has accepted Umreth Pilot Site as a living laboratory for embracing new technology. Efforts are afoot to implement novel projects like installation of fault passage indicators at vantage locations of network and Automatic Power Factor Compensation panel. These are resulting in reductions in interruption duration which is reflected in the downward trend of SAIDI and CAIDI.



Similarly, HVDS, Aerial Bunched Cabling work, Re-conductoring works have been undertaken. The projects which are on the anvil include system mapping on GIS platform, remote monitoring of reliability indices and installation of 11kV polymeric surge arrestors. The project is coasting along at Dodaballapur too. The distribution network is being refurbished and new lines erected. Customer installations are being preened. Procurement modalities for new equipment are being completed and it is expected that the implementation work will run into top gear shortly. NDPL is also racing along and has reported 30% of the project completion and they are keen to complete the project in the next 6-8 months.

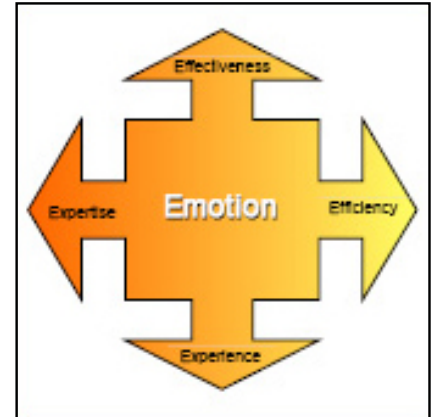
Alongside the field implementation, attitudinal workshops are being organized for internalizing the center of excellence concept amongst the rank and file. Overall, Drumbeats are becoming louder and we hope our goal of creating centers of excellence will be realised soon.



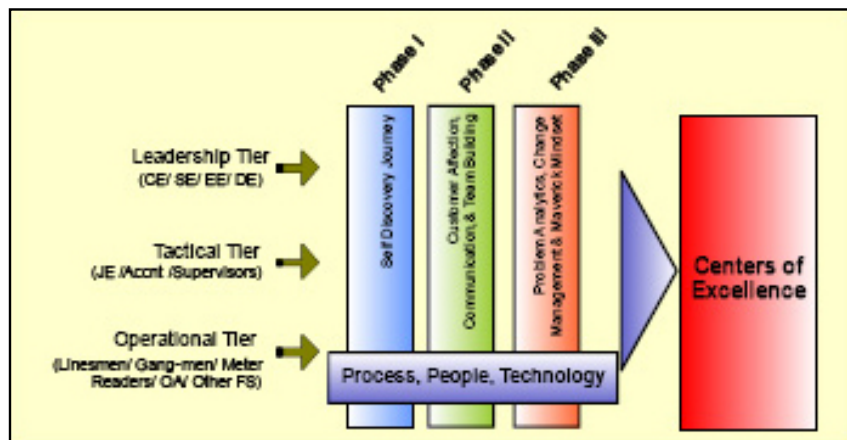
Attitudinal Training to Orchestrate Symphony of Feeling, Thought and Action

Attitude makes or mars an individual's performance: Attitudinal orientation of people has to go hand in hand with knowledge enrichment and skill enhancement to ensure sustainability of the reform program. DRUM envisions creation not only best-in-class structure, systems and processes in a utility but also the internalisation of the center of excellence paradigm amongst the people who will usher in the change. Therefore, DRUM team has hit upon the idea of imparting behavioural training amongst the people in the counter part sites. MSEDCL, MGVL and Bescom have welcomed the idea and a multi-phase attitudinal training program is being rolled out in DRUM pilot sites at Aurangabad, Umreth and Dodaballapur.

Emotional quotient catalyses change: As field implementation under DRUM is gathering speed, a need is felt to catalyze and sensitize the people to herald and embrace change not only in their functional accomplishments but also attitudinally in their feelings, thoughts and actions. DRUM team, therefore, has developed different modules tailored to needs of three specific tiers, leadership, tactical and operational, of the counterpart utilities. The overarching goal of the behavioural training is to help individual employee renew emotional contract with his or her surrounding and other team



members which will spur him or her to raise the bar of his efficiency, effectiveness, expertise and imbibe new experiential learning. With the objective, an attitudinal training program has been designed to impact all levels of the staff at each pilot site. Beginning with an appeal to the people to do a self-discovery, the program seeks to foster a spirit of customer orientation and seamless change-navigation. The program capsule is captured in the exhibit:



Change is beginning to happen: The wind of change is beginning to blow across the Aurangabad and 290 people have already participated in the training program. To quote a participant, the training is bringing “refreshing ideas and rejuvenating feelings” amongst the people in Aurangabad.



Attitudinal workshop for Leadership in progress at MSEDCL, Aurangabad

by Reena Suri, Training Specialist, DRUM

Capacity Building under DRUM is Cruising Along

Imparting training on functional themes forms the core of the capacity building initiative under DRUM. This vehicle carries forward the efforts through identified 19 partner Training Institutions, spread across the country covering all stakeholders in distribution business. The proactive relationship of Ministry of Power and USAID, not only helps to reinforce inter stakeholders' coordination, but also helps optimize resource utilization and improve the institutional capacity in resource building.

The twin major objectives of the DRUM Training program are to:

- » Enhance the knowledge and experience of a significant number (20,000- 25,000) of distribution engineers, managers and technicians through the facilitation of technical And managerial training delivered by professional Indian training institutions : and
- » Support the development and institutional capacity enhancement of selected Indian Institutions for sustainable delivery of distribution business management, reform and regulation training.

The DRUM Training program was originally conceived, for conducting the short term courses, catering to the listed themes, to be conducted by partner Training Institutions. During the course of implementation, the program has acquired new variants and enhanced its' coverage by adding on to the course contents, introducing a Executive Management program for “Managers” in the utilities and a distance learning program on exposure to operational and management aspects of distribution for “working level engineers and officers”. The Executive MBA program is conducted by MDI, Gurgaon and IGNOU is administering Advance Certificate in Power Distribution Management course on distance learning mode.

While the association of Power Finance Corporation, as financial intermediary, enables the program to be carried forward, the

Course Themes

I. Technical Themes

- » Best Practices in Distribution System O&M
- » GIS based distribution system planning, analysis and asset management
- » Best Practices in Distribution Loss Reduction
- » Distribution Efficiency and Demand Side Management (DSM)
- » Best Practices for Agriculture Pump Sets and Rural DSM
- » Disaster Management, Electrical Safety Procedures, and Accident Prevention
- » Distribution Equipments: Technology and applications
- » Metering Technology and applications (4 variants: Basic metering; Advanced metering; Revenue protection; Meter testing laboratory accreditation)
- » Linesmen Training

II. Management Themes

- » Performance benchmarking and quality of supply and service
- » Customer satisfaction, communications, and

convergence of all enabling efforts in DRUM Secretariat of USAID, functional at Power Finance Corporation has provided the requisite drive to the initiative.

The program variants:

- » Short Term programs by Partner Training Institutions
- » Executive MBA Program by MDI, Gurgaon
- » Advance Certificate in Power Distribution Management by IGNOU through Distance Learning

outreach

- » Distribution business management & IT based solutions
- » Financial management of distribution business
- » Regulation of distribution business
- » Rural power supply and participatory models
- » Change Management in power distribution

III. Support Themes

- » Project development, DPR preparation, appraisal and project Implementation
- » Communication skills, employees motivation and morale development

The Indian Power distribution utilities have seized the opportunity of training splendidly. As a result 13204 employees of 31 states have undergone the short term training courses on various training themes listed in the Exhibit and 100 officers of various utilities have successfully completed the MBA Program at MDI, Gurgaon.

DRUM program envisages a larger role play in the sector by ensuring proactive inter and intra stakeholders exchanges. The effort is to enable build up an interactive forum / platform for convergence of the beneficiaries' requirements and developing and delivering solutions by leveraging the available resources. The resultant institutional capacity and capability development will be the consequent outcome of the efforts. The initiative is evolving benchmarks and standards for capacity building in distribution utilities by integrating and linking them with the performance parameters.

For more details about the program variants or to view/download the course content, visit DRUM Website at www.drumndia.org

by Sudhir Vadehra, Chief, DRUM Secretariat

DRUM Partner Utilities Signed Partnership Programs with Rural Cooperatives in US

In their continuous journey to embrace global best practices in rural power distribution, MSEDCL & Bescom have entered into a partnership program with Rural Cooperatives in US.

The anticipated key objective of these partnerships is to exchange rural electrification best practices, lessons learned, and information between Rural Cooperatives in US and DRUM Partner Utilities. It will promote the utilities to:

- » Develop institutional capacity to increase DRUM partner utilities performance regarding identified key performance indicators for improving rural electric distribution.
- » Design, monitor and implement rural franchisee schemes through discussions on various models and handholding support to operationalize initial franchisees.
- » Create and publish a bi-annual newsletter focused on sharing best practices.

This partnership will introduce standardization and commercial management practices to enhance the commercial viability of the utilities and structure better consumer services and customer relations.

In this connection MSEDCL has already started having glimpses of the safety meets being organized by their partner utility cooperative, Morgan County Rural Electric Association. MSEDCL Employees have participated, on August 1, 2007, in the discussion on the safety meet on 'Hazards of Step Potential'



Dr. Ajay B. Pandey, MD, MSEDCL and General Manager of Morgan County REC, Mr. Fred R. Grantham, signing a joint statement

through video cast.

What Do Customers Really Want ?

To paraphrase Sigmund Freud's famous quote about women: "What do customers want? My God, what do customers Really want?" This answer to this question has proved elusive to many in the power sector during the 25 years since the shifting winds of change began to reshape the industry.

The military style of organization that typifies power companies known as the "functional-hierarchical" style to organizational architects keeps engineers and managers focused on their own specialties and, thus, less likely to reflect on the enterprise as a whole let alone its customers. An engineering mentality and supply-side focus pervades the utility culture. This is essential for success, but it also makes it difficult for utilities to see beyond hard, quantitative measures.

In fact, the question of what customers want was not raised until the electric industry was more than 75 years old. Until then, the only thing that mattered was building new power plants and the associated delivery networks fast enough to meet rapidly growing demand. And, to a great extent, that was the correct view during an era when electricity started out as a luxury for the fortunate few but only much later came became an essential service.

As markets matured and as electricity made the transition from a luxury service to an essential commodity, the situation began to change. Increasingly, customers became more vocal in expressing dissatisfaction, even though electricity service was more widely available than ever and even where reliability was better than ever.

Some would be inclined to say the industry is a victim of its own success; and there is some truth to that. But the more important truth is that the standards of performance in market-driven economies increase relentlessly as the next higher plateau is reached, especially for companies selling directly to end-use customers.

So, to come back to our original question, what do customers of electric companies really want? This is an important question because the answer will enable us to define high-quality service. And that is very important because it's the starting point for understanding any company's value equation. An understanding of a company's value offering will shape all of its planning processes, from strategic planning through tactical and down to the details of a company's operational plan.

The core mission in the power sector was embodied in the universal mission statement: "To provide adequate supplies of reliable electricity at a reasonable cost." That defined the empirical part of the equation: Availability, Reliability and Cost- or, ARC. This was and still is the core of a power company's value offering.

But to use the idea of "augmenting the commodity value of the product" popularized in Ted Levitt's seminal work, The Marketing Imagination there is a good deal more to customer satisfaction than Availability, Reliability and Cost. Over the past few decades, many in the industry have been discovering that customer relations can have a surprising impact on "perceived value". Companies are responding accordingly and, as a result, today's market realities mandate that good customer relations (GCR) be included as an explicit element in the value equation of an electric company.

Thus, the definition of quality customer service is embodied the following formula:

$$\text{ARC} + \text{GCR} = \text{QCS}$$

Or

$$(\text{Availability} + \text{Reliability} + \text{Cost}) + \text{Good Customer Relations} = \text{Quality Customer Service}$$

This formula can be deconstructed to produce key performance indicators (KPIs) that can be measured with data that already exists in utility companies or that could be developed without great difficulty. The KPIs would include such elements as:

Supply Availability & Reliability

SAIDI System Average Interruption Duration Index
SAIFI System Average Interruption Frequency Index
CAIDI Customer Average Interruption Duration Index
Transformer Failure Rate
Cable/Overhead Line Failure Rate (11 kV)

Cost & Profitability

AT&C Losses - Aggregate Technical and Commercial Losses
O&M (Revenue Expenses) per unit energy input
ROCE - Return on Capital Employed

Customer Relations

Customer Satisfaction Index
Response time to Customer Complaints
Lead-time for New Connection
Instances of voltage complaints

Hard Data and Soft Data

The DRUM Project's counterpart companies collected baseline data for all the KPIs they developed using this process. Most of it involved "hard" data that could be measured empirically and reported systematically, such as for SAIDI, SAIFI and CAIDI. But some measures, especially those involving customer relations and issues of "perceived value", required a different approach.

To measure the "soft" data we hired a market research firm to conduct statistically valid customer surveys for each company. These surveys produced insightful results demonstrating, for example, that customers are much more sensitive to the total amount of their bill than to unit prices in addition to providing a more nuanced profile of customer sentiment than the companies had seen before. Such results provide a good baseline for future comparison as well as an important first step in looking at the business through the eyes of customers.

The combination of hard data and soft data provides a comprehensive yardstick for measuring the impact of operational efficiency improvements and marketing efforts. Once companies discover the value of customer surveys as a way to understand customers' perceptions, most will continue to use this powerful tool.

One day, companies will begin to look at the business through a marketing lens and begin to think in terms of shaping customer perceptions as a complement to the traditional engineering supply side culture of the power sector. Then they'll be able to give a complete answer to the question: "What do customers really want?"

by Jim Hogan, PA Consulting

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