



PREFACE

A decade before, the electricity distribution business in India was under the control of State Electricity Boards (SEBs) and it was a cause concern that Aggregate Technical and Commercial (AT & C) losses were about to tune of 50 - 60% and financial losses were of the magnitude of 1.5% of GDP. On 25th May 2003, the Electricity Act 2003 was introduced to create competition in all spheres of activities in the power sector. The Act was brought into force to reform the power sector and infuse dynamism into it. The act declared Electricity as an Industry and all streams of the electricity sector as **individual profit centers**. Consequently, SEBs have been unbundled and corporatized into state-owned distribution companies.

Government of India has set the objective of providing uninterrupted quality power at affordable price to all by the year 2012. In view of this, the overall objective of power sector is to provide reliable, quality and affordable power to all electricity users by allocating substantial resources, improving infrastructure, fixing accountability and introducing competition. Thus, it is essential to focus for improvement in internal efficiency and performance of strategic business units (SBUs) of power distribution business. In power distribution companies of Gujarat, division is the SBU having various subdivision offices. A division runs under circle office and is accountable for performance measurement.

To achieve all these objectives in the emerging competitive era, it was considered necessary to analyse the existing management planning and control system with a view to improve the operational and financial performance of power distribution sector in Gujarat. Another goal of this study is to develop performance measures for divisional responsibility centers which can be measured in terms of profit – a comprehensive indicator for improving health of distribution companies in Gujarat. For this, it is necessary to prepare a set of indicators for tracking progress and setting targets for improvement over a period of time. Besides, it is needed to create the overall indicator which includes both, financial and non-financial indicators.

Moreover, it is important to realign the divisional activities in line with the vision, mission and objectives of power distribution companies.

The research consists of five chapters, covers an area of improvement in the existing system and seeks to work out suggestions along with a concept of division as a profit center. To evaluate divisional performance, an attempt is made to establish Key Performance Indicators (KPI) after collecting and analyzing the information from various reports and opinions of different executives and authorities. Finally, it ends with proposing Power Distribution Business Scorecard (PDS) which is designed on the work of Robert Kaplan and David Norton (1990).

It is expected that this study on performance measurement of power distribution business will be useful to different distribution companies in India, Financial institutions, Private players, Regulators and Government.

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