

Chapter 6

Evaluation of the Change Management Agenda : Summary & Conclusion

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It has been five years since the unbundling process was initiated. The power sector in Gujarat has seen tremendous sweep of changes in the wake of the Reform agenda. The experience has been mostly positive, though there are certain areas of concern. In this chapter our focus would be to critically evaluate the change management perspective behind the reforms in the power sector in Gujarat. What were the strengths of the strategy and the weaknesses? How have been the post- unbundling scenario and whether the movement forward is in the right direction? We would attempt to analyze the above issues in this chapter.

6.1 Evaluation of the Change Management Perspective- Strengths & Weaknesses

As we have discussed before the reforms in Gujarat's power sector, like elsewhere, were a response to the challenges, inherent problems and the environment of those times. As part of the reform process, a series of cataclysmic structural changes were introduced one after the other. Changes in the organizational structure, statutory arrangements, working culture and practices, human resources policies, financial working and technological operations were introduced during the period 2001-2005 and the pace of these changes was unlike anything attempted in the past.

The triggers for change are important factors and it is imperative for the leadership/top management to understand, appreciate and formulate a suitable

response to the triggers for change. In GEB's case, the triggers for change were both external and internal. The opening up of the Indian economy, increasing globalization, passage of the Gujarat Act and the Central Act of 2003 were major triggers that had the potential to unshackle the power sector and end the monopoly character of the power utility. The power sector was opening up to the emergence of the private sector, not only in generation, but in distribution and sale of electricity to the consumers. The regulatory authority was a new creation of the recent enactment. The power utility now came under regulatory control for fixation of tariffs at several levels, for performance standards and consumer satisfaction. These external triggers, along with the internal triggers of the utility in terms of the mounting losses and structural weaknesses were correctly perceived by the leadership and top management. The huge workforce of the power monolith were clearly not equipped nor motivated to face such changes. Poor operational performance on all fronts and lack of finance to undertake major improvements was a reality confronting the monolith. The State Government as well as the top management of the GEB was well aware of the triggers that called for an urgent recognition of the change imperatives.

The GEB management was well aware that drastic changes were required to turn around the state of affairs in GEB. Several actions in the early 1990s were primarily attempts to react to such triggers. The setting up of GSECL, a generation subsidiary and the policy of setting up of IPPs and signing of PPAs were attempts to augment and improve generation performances and bring private investment into setting up of new generation capacities in the state. The application for the ADB funds and the acceptance of ADB's conditionalities was the first major recognition of the imperatives for change and the first steps to undertake more comprehensive reforms later on.

As discussed in the chapter on change management, the major task in change management was how to manage the challenges of change. Change typically brings in challenges along with opportunities. Change usually brings in new procedures, people or ways of working, which have a direct impact on the various stakeholders within an organization. The key to successful change management lies in understanding the potential effects of a change initiative on these stakeholders. Will the more than 50000 employees of GEB be scared, resistant, pessimistic or enthusiastic about the proposed or imminent changes? How can each possible reaction be anticipated and managed? One needs to be aware of how the change will impact others in the organization and the customers or stakeholders. A new vision, set of driving values, mission or goals constitute significant change. So do new performance standards, new policies or procedures, a new information technology-based ERP solution, or a relocation of one's business as these constitute major challenges.

In this task of managing the challenges successfully, four factors, viz. leadership, focus, commitment and resistance play a major role. The role of Leadership lies in changing the organizational structure from a command and control nature of management to the nurturing and motivational nature of leadership. In Gujarat, the elected government provided the right impetus to providing a motivational leadership. The top management of GEB also provided a credible and determined leadership. The leadership had high credibility and reliability as it went about implementing the comprehensive change agenda. The leadership had to play a major role during the change management process. Leaders must have a way of thinking about change. They should have a clear model which will help in formulating the process of change to be implemented. In the Gujarat reforms the restructuring and unbundling model was a clear model with a clear agenda. This restructuring

and unbundling exercise had been done in some other state utilities like Orissa, Delhi, Andhra Pradesh before and their results were in the public domain. Also the Central Electricity Act, 2003 and the Gujarat Act of 2004 provided the statutory backing for this model. Leaders must have clear goals. The most important task of a leader is creating the climate that is conducive to the change being attempted and helpful in overcoming resistance from the personnel. In huge monolithic PSUs like GEB, the leadership structure is complex, as it is a mix of organizational and political leadership. It is important that both these forms of leadership have to be on the same reformist wavelength in order for the reforms to succeed. Both the elected government and the top management of the GEB were in perfect understanding about the urgency of the reforms model and in their unwavering commitment to the reforms.

The focus is an important ingredient in the change agenda. For change management to be successful, it is imperative that the leadership must rely more on the discipline to focus on the right opportunities for the organization to steer the followers in the right direction. Energy sector reforms were high on the agenda of the elected government, as Urja Shakti was one of the five most important missions of the newly elected government in 2002. The principal secretary in the energy department was also the chairman of the GEB and she had earlier worked for a long period in the GEB as Member (Administration). The other Members of the Board, along with their successors were equally committed to the change agenda. This unity in focus and commitment was a major factor for the smooth transition from the monolith to the unbundled entities. Despite periodic changes in the incumbents of the GEB, there was no wavering in the commitment among the new incumbents. Another pertinent factor was there was no change in the political leadership as the Minister of

State for Energy continued with his Energy portfolio while the Chief Minister continued to keep the Energy portfolio under his charge continuously since 2002.

This committed and credible leadership is very important to tackle a major challenge to change management- Resistance. Resistance to change is a natural human reaction. Every human being and consequently every organization exists in a current reality; an understanding of themselves and a level of comfort with their current situation. Bringing new skills, new practices or knowledge into a company is not always easy. People fear change. Management has to oversee this integration, and ensure a smooth course by keeping everyone aware of the company's objectives and how new competencies have a valuable part to play.

The management relied a great deal on communication, mainly internal communication to allay the fears and bring out the positives for change. As we have seen, the management attached a great deal of importance on internal communications to all the employees in the form of newsletters and journals. A proactive and timely communication plan helps fostering employee trust in management and the reform path shown to them. It also helps in controlling rumors about the restructuring process. (Typically rumors about likely retrenchment, layoff, job insecurity, cut in perquisites etc).Effective communication was managed by continuous dialogue with the Unions / Associations with the emphasis on grievance handling and settlement of disputes with a give and take policy. Newsletters, seminars, training champions, extensive training programmes etc were extensively used to blunt all motivated criticisms and increase support for reforms among the employees.

The Tripartite agreement between the State Government, GEB and the Unions/Associations to secure the conditions of service and continue with the existing perquisites and conditions was a master stroke to negate all resistance. The Management further showed that the new companies would not be prevented from doling out more facilities while linking these with new performance standards. The Option Process was another major step, which ensured that the migration of the employees from the undivided GEB to the newly unbundled companies was as smooth and painless. The Unions had no further issues to agitate after this and the employees went to the new entities with hope and not despair.

Another strategy to encourage ownership of reforms amongst the large sections of the employees was implemented by several innovative steps like Padkar Saptah, 5-S, introduction of uniforms, and singing of GEB theme song, etc. These activities were done much before the actual unbundling exercise. Through the Padkar Saptah, special funds were given to organize activities which involved the employees and their families- a strategy that involved the families, thereby removing resistance to reforms. The GEB theme song brought in a sense of camaraderie and teamwork. 5-S activities transformed the physical looks of the office and increased the presentation of the offices and made the work place more modern and contemporary. Through these steps one can say that the leadership was able to remove the gap between the employee's hopes and the change objectives.

In order to successfully manage change, an organization has to put in place a sound resistance management strategy. Resistance management may improve if the organization recognizes the potential benefits of resistance. Resistance can be reduced through creative organizational design and development.

Effective communication often holds the key to successfully unlocking the door to change. Change needs to be portrayed in positive terms, as a necessity to ensure long-term survival. In fact the leadership, through an effective communication strategy, was able to convince the employees about the inevitability of reforms. The enactment of the Central and the Gujarat Act in 2003 virtually made restructuring and unbundling an inevitable outcome. The inevitability of unbundling and the benefits to accrue from restructuring was the recurrent theme in all communication plans.

As we have seen, the management had appreciated and identified the needs for the impending changes in the existing structure. But a sound vision about the future scenario is also necessary. This requires articulation of a vision and communicating this effectively to show where the organization is heading. The GEB management was able to define the future directions in terms of where the organization intended to progress. There has to be a clear identification of the desired future condition of the organization in terms of its designs, goals and purpose. In fact, the restructuring strategy, the unbundling of GEB into six entities, the vision/mission of the new entities, the FRP, the tripartite agreement, etc were sound strategies pointing out to a new corporate and working culture. Once such contentious issues were resolved satisfactorily, it resulted in a broader acceptance of change in a climate of enthusiasm and participation and reduced resistance to change among the biggest stakeholders—the more than 46,000 employees.

A maintenance and renewal layer for change management is also very necessary for sustaining the changes. This involves identification of ways in which changes are sustained and enhanced through alterations in attitudes, values and behaviours and regression back to tradition is avoided. To avoid

such regression, it is necessary to make efforts to maintain and renew the original visions in an evolutionary framework. As can be seen in case of the Gujarat reforms, there was no abatement in enthusiasm or commitment in the elected government or the GEB top management towards reforms. The continuation of the same political party headed by Sri Narendra Modi in the 2007 election ruled out any likely regression to the older ways. The regulatory authority got strengthened, the newly created companies further consolidated their positions and the operational improvements in terms of reduction in T & D losses, improvement in PLF, improved power supply, increasing revenue collections were there for everyone to see. The employees also found that many of the apprehensions they had prior to the unbundling were no more relevant in the years after unbundling.

Three important principles that are important in the change management approach were adhered to in the Gujarat change agenda. Firstly, the policy makers realized that change management is not a goal in itself: it is a means to an end, and the end is an improvement in GEB's performance. It is about effectively managing a process that will lead to an environment where an improvement in performance can be realized. The second principle is that the "targets" of change must play an active role in realizing the change: Successful Change projects will identify and communicate the vision, letting the employees know that they are expected and empowered to play an active role in realizing the planned benefits. In fact the top management adhered to this principle in their actions. Thirdly an organization's employees are their greatest asset and potentially they are also the greatest challenge. For a vision to become reality, the entire workforce must believe in the project and have the desire to achieve it. As we saw in the previous chapter, the policy makers were

guided by these three principles in formulating their change management initiatives.

Another distinctive feature of the change management strategy in Gujarat was that the process was gradual and not disruptive. Change management is a scientific and systematic process. It has to be in right proportion to the change adaptability of the employees and it should not be too rapid or too slow. The Change Management should be in phases and start with the background of the change process, carry out intensive communication exercise and then take actions. As we have seen in the preceding chapter, the changes in Gujarat were gradual. The early reform attempts like incorporation of GSECL, setting up of IPP, the ADB loan conditionalities constituted a proper setting for the more radical reforms to follow. The management adopted a very extensive communication exercise all through and adopted a few employee-friendly actions such as the Tripartite agreement, the Option process, extensive training programmes in order to increase the change adaptability of the employees. The enactment of the Central and the State legislations provided the legal backing for the unbundling/restructuring exercises. The objective behind these exercises was simple- to achieve sustainable and improved performance and to achieve change without chaos.

The change management strategy in Gujarat has been criticized for not being radical enough. One criticism is that the policymakers did not go for privatization while unbundling the GEB into six entities. At this stage, it is pertinent to analyze the privatization experiments in India in the distribution side. Orissa, as mentioned earlier, was the first to privatize distribution. Later on Delhi and Karnataka attempted privatization. The Orissa experience was marked by insufficient investor interest, lack of efficiency improvement and

disputes between the DISCOMs and the regulator and the state government. The Delhi privatization was structured to overcome some of the concerns arising out of the Orissa privatization and the failed Kanpur privatization attempt. The Delhi model guaranteed a 16 percent return on equity, subject to the licensees achieving their committed loss-reduction targets. The main implication of the Delhi and similar privatization efforts in India show that, given the state of the power sector, investors are unwilling to take on any risk above the bare minimum, and the regulator is unwilling to commit to multi-year tariff principles. The resulting privatization is unlikely to be effective and may even result in an Enron kind of dispute (Sinha, 2003)⁷⁹. At best such privatization could be successful in compact, high visibility urban zones like Delhi, Ahmadabad and Surat (Gujarat). However, they are unlikely to be successful in most states like Gujarat with large rural and agricultural load and extensive networks which are difficult to administer. Gujarat also tried to push its distribution franchise project, which aimed at handing over certain distribution areas to private sector. But it was dropped on account of the opposition from the labor unions and some of the factors mentioned above (ToI, 2005)⁸⁰. In view of this, it is not proper to find fault with the Gujarat approach for not going for privatization. In the Indian (Gujarat) setting, perhaps a more suitable approach is for the privatization phase to be preceded by a pre-transition no-privatization phase during which the SEBs undertake certain fundamental risk-mitigating actions. Meaningful privatization in the Indian context can succeed only when it is preceded by certain actions to improve the financial health of the utility (Mani, 2002)⁸¹. It should also be kept

⁷⁹ Sinha Sidharth, *Transition Plans for Power Sector Privatization: The Case of Delhi and Karnataka*, India Infrastructure Report 2003, New Delhi, Oxford University Press, p.89.

⁸⁰ Times of India, Bennet, Coleman Company Ltd., Ahmadabad, 10 February, 2005.

⁸¹ Mani Sunil, *Private Financing Initiatives in India's Electricity Sector*, in Berg Sanford V, Pollitt Michael G, and Tsuji Masatsugu.ed., *Private Initiatives in Infrastructure; Priorities, Incentives and Performance*, Cheltenham, UK, 2002,p.153.

in mind that three cities in Gujarat, viz. Ahmedabad, Surat and Gandhinagar are served by private distribution company. Also the recent thinking of the policy makers has been to go for franchisee systems- a variant of a private distribution activity , though on a smaller scale and for limited activities.

The second criticism of the Gujarat approach was that it did not go for substantial changes in agricultural sector regarding tariff rise and compulsory metering. A determined attempt was made by the present government in 2003 to partially increase the agricultural tariff .Due to a sustained agitation by the farm lobby, the government later decided to roll back the increase (ToI, 2004)⁸². At 36.25 percent of the total electricity consumption going into the agriculture sector, and the realization from agriculture users at Rs.0.40 as against the average cost to serve of Rs. 3.52, the extent of cross-subsidization and the financial burden this casts on the utility as well as the state can be imagined. The loss to the utility on account of this works out to Rs.214.33 million in 2004-05-a huge unmanageable amount. Further the state loses more on account of its decision to exempt the agricultural connection holders from electricity duty, which is charged by the state from all other sections of consumers. However, due to the large agricultural and rural load and since the returns from agriculture not very attractive and also because the growth rate of agriculture still much lower, no Government can afford to take very radical tariff policies in agriculture. The state government later took certain other steps to mitigate the effects. One was the policy to release priority agricultural connection with adoption of drip irrigation. This would reduce water wastage and electricity consumption. The other policy was to construct thousands of check dams to increase water tables thereby reducing the necessity to go for higher HP pumps. Another step was to prevent more agricultural connections

⁸² The Times of India, Ahmedabad, 13 May, 2004.

in Dark Zones- areas that were identified on the basis of very poor ground water levels. These steps were designed to reduce excessive dependence of agriculture on power for irrigation and increase the availability of surface water for irrigation. Against this backdrop, it can be said that the above criticism is not very valid.

6.2 Analysis of the post-restructuring scenario

As we discussed in the preceding section, the change management perspective adopted in Gujarat was sound as it ensured transformation without chaos. The agenda that was implemented resulted in several positives. The much-anticipated unbundling process along with corporatization was achieved without any major hitches as the newly created companies started their independent journey from 1st April, 2005. Almost five years have passed since then. We have examined in great details the major effects of reforms in the preceding chapter. Here we will focus on the broad directions in the post-unbundling era and roadmap ahead.

The change agenda in Gujarat was not limited to the restructuring of the GEB or creation of the corporate entities responsible for functions across the electricity value chain but to ensure improved service quality, better financial health and effective utilisation of resources. While there have been shortcomings and the results have not been as per expectations in all areas, there have been significant improvements overall. This has been reflected in several awards and top rankings that have come to the utilities in Gujarat.

The Power Finance Corporation, (a Government of India undertaking) in its report on electricity utilities rated GUVNL as one of the most efficient utilities in terms of collection efficiency, AT&C losses, lowest arrears and cash loss reduction. In its Report on the performance of the State Power Utilities for the years 2005-06 to 2007-08, it is seen that the GUVNL and its six subsidiaries have done consistently well in many indicators such as capital expenditure, Return on Equity, Return on Capital Employed, Reduction in AT&C losses, sale of power, increase in installed capacity, PLF, Cash Profits, Collection Efficiency etc (Report, 2007)⁸³. In these years, Gujarat's performance has been in the top-performing states. In fact, it is interesting to note that these improvements are mainly due to the cumulative effect of the change management agenda undertaken in Gujarat in the period of 2001 onwards.

The Ministry of Power, Government of India instituted an independent study to rate the Electricity Boards and the unbundled entities covering the critical areas of the reform agenda such as efficiency, regulatory compliance, Government support and customer satisfaction. These ratings have been done by leading rating agencies such as CRISIL and ICRA. In this rating analysis, GEB/GUVNL has been found consistently improving its performance over the years between FY 2003 to 2006. From an overall 7th position in FY 2003, GEB/GUVNL improved its position to 5th in FY 2004 and further moved to 2nd position in FY 2006 and 2007- a creditable improvement by all comparison.

Further, the GUVNL and its subsidiaries have won several prestigious awards during the last five years. These awards have come from several sources, such as Government of India, several trade and industry bodies, and agencies in

⁸³ Report on the Performance of the State Power Utilities for the Years 2003-04 TO 2005-06, Power Finance Corporation Ltd, New Delhi, May, 2007, pp.1-15.

recognition of their performance in various fields. The areas for which awards have been received are several such as- Excellence in Power Distribution in Urban and Rural Sector, Implementation of Information Security Management System (ISMS), Meritorious Performance in Power Distribution, Exemplary Innovative Work in Rural Electrification, Excellence in Power Distribution in Urban and Rural Sector, Consumer Friendly Practices, Excellent Efforts in Environment Management and Excellent performance in Generation and Transmission Activities (Annexure-F). This marked improvement in performance on a consistent basis and due recognition through several such awards has resulted in setting of higher goals and spurred the personnel to still better their performance. This has also resulted in generating a healthy internal competition among the subsidiaries, particularly among the Distribution companies.

6.3 Road Map Ahead

While major changes have taken place in the electricity sector in Gujarat in the wake of the reform agenda, one can state without doubt that a lot still remains to be done. If the fruits of reforms are to reach the consumers and the sector in Gujarat (India) has to match the standards prevalent in the developed countries in Western Europe, lot more determination and concerted action is required (Reddy, 2000)⁸⁴. Even some of the developing countries in South East Asia and South America have fared much better, as we have seen from our discussion on the international experience. Some of the major recommendations for a future road map for the reform agenda to be pursued in Gujarat are given in subsequent pages.

⁸⁴ Reddy A.K.N., Power Sector Reforms: Indian Experience and Global Trends. Economic and Political Weekly, Delhi, 5 May, 2000, p.1028.

One of the important, if not the most important factor, affecting the pace and direction of reforms has been the lack of political will. It has been observed that in all the developing countries pursuing electricity sector reforms, there has been a lack of political will and consensus for the reforms. In the competitive electoral politics, the real challenge is to develop political consensus for the arduous process of tariff reforms. This is very much unlike the mature democracies in the developed world like the UK, USA, and Germany etc. In the UK, after more than a decade of reforms under the Conservative rule, the Labor party came to power. Yet it did not undo or slow down the pace and broad policies of the reforms introduced in many sectors including the electricity sector. There is a certain unanimity observed in these countries regarding the economic agenda for the government.

In India (and Gujarat), it requires tremendous political consensus to do tariff reforms particularly in the fields of agriculture and domestic sector, compulsory metering, reducing cross-subsidy, and proper targeting of subsidies, recovery of cost-related tariff, etc. In Gujarat, as in other states, political parties compete for votes by promising free power /cheaper power for the farm lobby. It is often seen that the political parties, which have initiated reforms, when in government, oppose these while in opposition. Further the support of the government in initiating the reforms and its continued determination to take the reform process to its logical end is equally important. In Gujarat, the present government showed its determination by introducing reforms through the enactment of the Gujarat Electricity Industry (Reorganization & Regulation) Act, 2003. It also introduced other measures such as the restructuring and unbundling of the GEB, constitution of the regulatory authority, withdrawal of a subsidy for the lower-end domestic consumers (which was leading to misreporting of billing), creation of separate

police stations for controlling power theft, strict anti-theft measures and raising of the agricultural tariff. However, it had to partially withdraw the tariff hike. Also in view of electoral considerations and lack of political consensus, it is perceived that the state government is not as enthusiastic and committed to the pace of reforms. Speed and time is the essence in implementation of power sector reforms and no further slowing down of the reform process is advisable.

The policy of the state government towards the GUVNL and its subsidiaries also sends confusing signals. The government has a dual, often contradictory, vision of how the state power companies should function. The GUVNL is often seen as an extension of government for fulfilling its socio-political objectives and to that extent, there is excessive control over the GEB affecting its autonomy and ability to act promptly and independently. The electricity sector has close interface with the public, being an essential service and no politically elected government wants the government to desist from giving directives to the electricity sector. On the other hand, in tune with its reformist zeal, the state government perceives the GUVNL as an independent entity capable of standing on its own without any support from the government. However, the important point is that the government should allow the new companies and the regulatory authority to run within the parameters of the law in an unfettered manner and not try to interfere with their autonomy. The State authorities have still not been able to appoint professional MDs in the new companies. It is equally important to fill up the top posts with the right incumbents possessing the required educational and technical experience and skills. Similarly for other top posts in these companies, qualified personnel from outside should be brought in to provide the right momentum and direction. Appointments to the Boards of Directors of all the utilities need to

be reviewed to ensure that competent professionals with proven track record are put at the top

Another major policy initiative that needs to be taken by the state government relates to the problems of irrigation in the rain deficient areas of North Gujarat, Kutch and Saurashtra and the role of the GUVNL in the irrigation of these areas. Since canal irrigation is very inadequate in these areas, agriculturists are constrained to use ground water irrigation, thereby forcing their dependence on the GEB. Since this power is heavily subsidized and unmetered, it severely affects the financial performance of the power utilities. Hence serious policy level initiatives are required to be undertaken by the state government to increase the irrigation potential in these regions through rain water harvesting, encouraging alternative cropping practices, waste land development, and development of infrastructural facilities and provision of incentives for the promotion of industrialization in these areas to reduce the dependence on agriculture. In view of the compulsions of electoral politics, there have been instances to the utility officials to go slow or stop checking of agricultural connections. These signals do not conform to the reformist agenda. In this regard, the recent moves to go for special distribution transformers, separation of agricultural feeders, encouragement of drip irrigation systems, and surface water conservation measures to increase the availability of surface water are steps in the right direction and would reduce the losses on the agricultural sector.

The need to reform the personnel sector in the unbundled entities in Gujarat has to be addressed soon. The present staffing pattern in the GUVNL and the six new companies needs to be trimmed down drastically. A comparison with some of the private generation and distribution companies in India shows the

overstaffing prevalent in the state utilities and its contribution to increasing the cost to serve (Prayas Energy Group, 2003)⁸⁵. Compared to some in the private sector like Tata Power, BSES, AEC, SEC, etc, the manpower performance and cost of GEB's subsidiaries is quite high and this needs to be trimmed down. A properly formulated voluntary retirement scheme can be considered to bring down the present strength of 46,000 employees working in the six companies. (Morris, 2001)⁸⁶. The principle of accountability, performance-linked promotion policy, lateral entry by allowing proven performers from outside to be recruited, strict implementation of key performance indicators (KPI), training and capacity building of the staff etc are some of the areas that need focused attention of the management. Increasing use of Information Technology, automation and outsourcing/contracting out can be tried on a regular basis to further increase the professional efficiency of the work force.

No Indian state, including Gujarat, has been able to attract much foreign direct investment in power sector, particularly the distribution sector. Against china's whopping 80 percent, India gets only 5 percent of the Asian FDI flows (Abraham, 2003)⁸⁷. Further the flow of FDI into distribution sector is much less. This is surprising, as Gujarat is constantly voted as one of the most attractive investment destinations amongst all Indian states (Saran, 2005)⁸⁸.

⁸⁵ Performance of Private Electricity Distribution Utilities in India: Need for In-depth Review and Benchmarking, Prayas Occasional Report 2, Prayas, Pune, May 2003, pp. 8-9.

⁸⁶ Morris Sebastian, Power Sector Reforms and Regulation: the Road Ahead, India Infrastructure Report, 2001, New Delhi, Oxford University Press, p.102.

⁸⁷ Abraham P., Power Sector Reforms: Focus on Distribution, New Delhi, Suryakumari Abraham Memorial Foundation, 2003,p.271.

⁸⁸ Saran Rohit, Economic Freedom of States, India Today, Delhi. 15 August, 2005,p.103.

The reasons for this lack of investors' interest in distribution are not difficult to enumerate. The tariff policy is such that more than 60 percent of the customers are required to be supplied power at rates lower than the cost to serve. The open access principle granted under the law has still not been formalized, thereby preventing the entry of the private investors. Distribution also is the most difficult field in view of the high T & D losses. With increasing focus on distribution reforms and the dissemination of information about the success of the privatization experiments in Delhi and Orissa may probably bring more players into the distribution sector in Gujarat. The state government and the authorities in the state power utility (GUVNL and its subsidiaries) have to show greater determination to go ahead with bringing private involvement in distribution, something which has been avoided so far (Bhattacharya and Patel, 2007)⁸⁹. In fact the homegrown examples of Gujarat with privatization in distribution in the form of AEC and SEC should spur the authorities for a more determined action.

Going by the current trends, the current thrust on efficiency and performance improvement signify the will to achieve and move forward in all the companies. The future growth will be driven by the legal / policy framework through fully functional, independent GERC, distancing of the Central & State Governments from tariff setting, more private sector participation in Generation and Transmission Projects and setting up of new power stations and use of the coastline for facilitating fuel imports. In fact Gujarat is looking forward to generating almost 10,200 MW to fulfill the need and make the State power surplus through ultra-mega projects and sectoral investment by 2012. It is also envisaged that the additional impetus will come from Tariff

⁸⁹ Bhattacharya, Saugata & Patel, Urjit R., The Power Sector in India, An Inquiry into the Efficacy of the Reform Process, Presented at the Brookings-NCAER India Policy Forum, July, 2007, New Delhi, p.53.

rationalization through encouraging industrial consumption through tariff incentives, move towards Cost of Supply based tariffs for all categories of consumers, align of Electricity Duty (ED) in line with competing states, increase overall efficiencies - including quality & reliability of supply and make the state more attractive to the potential investors through fiscal and tax incentives.

A detailed social marketing campaign should be launched with the aim to make the people realize that the tariff distortions need to go and the need to raise the tariff to a level that keeps the system operational and viable. This campaign should target a large cross section of the society and cover such issues as power theft, energy conservation and safety aspects. The aim behind this campaign is to make people the real stakeholders. This process is difficult as in the competitive electoral politics in Gujarat, it is difficult to attain political unanimity about the next round of reforms. However the present government, headed by the present Chief Minister has undertaken the first round of reforms and hence is in a better position than before to go for the next change agenda. Though the reforms process was initiated so many years back, the need to constantly talk the language of reforms and the need to remove some of the above distortions is still relevant.

6.4 Summing up

In the preceding chapter, we did a critical analysis of the change management perspective in Gujarat and analyzed its strengths and weaknesses. We also drew up a road map, indicating the areas in which the future efforts need to concentrate. In view of the analysis in the preceding chapters, one can

distinctly see the areas of marked improvement and the areas of success and the success of the change management agenda in Gujarat.

One can take a pessimistic view by stating that the reform agenda initiated in Gujarat since 1991 has not been very radical and not succeeded in improving technical efficiency or in improving the financial position of the power sector. Also it has not been able to reduce the losses or improve customer satisfaction. The social objectives of the power sector have not been fulfilled effectively in the reform process. However this is not a correct perception.

The reform agenda, in right earnest, started in 2003 with the enactment of the relevant central and state legislations. The initial results have been distinctly encouraging as we have seen, though a lot still remains to be done. The people at the helm in charge of pushing the change agenda were able to surmount the challenges and turn these into opportunities to achieve a turnaround. The socio-economic setup in India (Gujarat) is quite complex and the state of the energy sector was in a very bad shape. It would take concerted action, sustained determination, a collective consensus and more time to take reforms to their logical conclusion.

What has to be kept in mind is that the power monolith, which was seriously crisis-ridden, with low employee morale, resource crunch, poor efficiency, lack of customer orientation, made the turnaround. Not only has it been able to corporatize into six new entities, it has been able to significantly increase its performance standards in such a short time. All these were achieved without any bitterness, with the same personnel. This was truly a bloodless coup, which was a case of successful management of the change agenda. The true importance of this success can be gauged from the fact that several states like

Tamil Nadu, Kerala, Bihar, Himachal Pradesh and Jharkhand have not been able to restructure till today. In Northern India, several states like UP, Uttarakhand and Punjab had to face employees strike against the unbundling, while in the Southern region, Andhra Pradesh had to face an employees' strike. Similarly, states like Chhattisgarh and Kerala also had angry protests from the employees against the proposed unbundling. Even France has not been able to do so owing to stiff opposition from the Unions, despite a European Union mandate to all EU-member nations to restructure. Several states in India that followed the Gujarat model of restructuring and were able to introduce the reforms smoothly.

To conclude, it is appropriate to quote the master strategist Machiavelli, whose comments about the path of reforms made several centuries ago is still so valid today reminding us the difficulties that pave the path of change. As Machiavelli wrote **"It must be considered that there is nothing more difficult to carry out, not more doubtful of success, not more dangerous to handle, than to initiate a new order of things. For, the reformer has enemies in all those who profit by the old order and only lukewarm defender in those who would profit by the new order"** (Machiavelli, the Prince).

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