

Success always demands a greater effort.

EUROPE'S ELECTRIC & GAS UTILITIES:

The game's changed. The competition's changed. And there's no extra time.

'Customers everywhere have growing demands and expect optimum reliability from their network.'

In just a few years, Europe's Electric & Gas Utilities sector has changed dramatically, says Henri-Paul Missioux, Vice President - Head of Operations France. The name of the game now is Operational Excellence and only those companies that raise theirs will be able to match customer demands.

The opening up of Europe's energy market has transformed every organisation in the sector. Incumbent players have split their business activities, separating transmission and distribution networks which are public services, from their production and sales operations, which are open to contracts and competition. Producers are expanding alongside new business lines and launching investment programmes to diversify their offer - and new players, including many suppliers, have entered the market, forcing network managers to rescale and update their infrastructures.

The creation of a single energy market has also accelerated with greater European-level production coordination and ever-rising consumption. For operators, this means building new network and interconnection capacities, so substantial investment programmes must be absorbed, teams sometimes reduced and an in-house - outsourcing balance deployed.

Alongside all this, renewable energy sources such as wind, solar and biomass are gaining momentum. A key feature of these new energy sources however, is that their production is decentralised and for the most part, intermittent. So to support their growth, network managers must develop further infrastructure in the often isolated areas where they are located and control energy flows ever more precisely.

These multiple challenges have created a far more complex sector and some companies are struggling to adapt.

Move from a technological culture to a customer culture

In this new market, customers everywhere have growing demands and expect optimum reliability from their network. Network managers have to be able to commit to continuity of supply, so a greater knowledge of incoming energy and outgoing consumption is essential, together with a greater responsiveness in the event of accidents.

The only way forward is through Operational Excellence - controlling costs, optimising investments, adapting the organisation, etc - while maintaining profitability, customer service and safety levels. In short, incumbent players must make a profound cultural shift from an essentially technological culture to a customer satisfaction-oriented culture.

In this context, processes excellence is a major challenge, so internal teams have to be trained in value optimisation methods such as LEAN, Six Sigma and Value Stream Mapping (VSM). Applying these methods will help increase both the speed and quality of information available, create efficient interfaces to ensure the optimum management of energy flows and meet customer demand at all times

Boost performance and change cultures

Process excellence must be supported by highly effective Performance Management. Operators must define indicators that are reliable and suited to their needs. The frequency of forecasts, for example, must be calibrated according to the reaction time that the operator can allow. In the near future, smart grids will be a valuable performance management tool because accurate energy production and consumption data will be transmitted in real time, optimising the coordination of network flows.

Capital intensive production units and distribution networks must make greater use of their means by boosting production capacity at the lowest cost.

New stakeholder demands and new company boundaries mean that performance measures must be redefined. An upcoming company's vision must include indicators and scorecards that cover the most operational levels.

Success in implementing such practices in daily business engenders a profound change in the company's culture.

Motivate your people to maximise your progress

Every organisation in the utilities sector has to adapt its operation, often quite radically. This means moving from a business-based management culture to a cross-cutting management culture; from a culture of committees to a culture of effective meetings; from a technology-based management culture to a performance-based management culture.

Separating previously integrated business activities has led to a trend for specialisation and this can have its downside. In the past, it was possible for a member of staff in the distribution network to move from network maintenance to customer management or marketing. Now, that employee can only manage networks, which may be seen as a step backward by some. So the managerial challenge is to give staff motivation - and smart grid projects may be a real opportunity.

Utilities companies are generally very precise and specialised, so transferring the knowledge and know-how of senior generations in parallel with the recruitment of young people and external profiles is another genuine challenge.

To ensure this transfer, it's necessary to identify these experts, who are repositories of irreplaceable knowledge capital, and then offload some of their everyday tasks so that they can help prepare, train and support new recruits throughout their orientation.

Companies must also make greater use of local managers. They are an essential pillar in creating the link between the strategy that management has defined and the teams in the field.

The way forward is clear and the support is here. ■

Philippe Jaspert, Nicolas Pinglot and Julien Tanneveau from Celerant Consulting also contributed to this Thought Leadership.