

Understanding the “Business of Power” – an Industry in Transition

by [Marty Lasker](#), President, HLC, Inc.

The transition to deregulation (or any business change) presents significant new challenges to power companies. As formerly regulated companies refocus on creating shareholder value, they must develop their most important agents for successful change: their employees. By helping employees understand the new thinking required in a competitive environment, power company executives can enhance employees’ ability to work more productively and give them the skills needed for strategic decision-making. I have helped a number of power companies, including Ontario Power Generation (OPG), Southern California Edison (SCE), First Energy, and South Texas Project, to achieve these objectives. I take a comprehensive approach that enables trainees to grasp intricate concepts in a short period of time. A key element of the training is Power and ProfitAbility®, an interactive training tool that combines learning with sophisticated game play. OPG has made this training an important part of its transition to a competitive electricity market in Ontario. John Mauti, OPG’s director of corporate accounting, notes that the two-day, board-based simulation helps employees start thinking about how their job performance will affect the company’s success and shareholder expectations in the new era. “We’re trying to massively change the culture in the company,” he explained. “People didn’t think of the company as a business. We needed to change the mindset.” During the simulation, employees serve as executives, strategists, accountants and plant operators. Grouped into teams, employees first experience the challenge of operating a power generation company in a regulated environment, then they transition to a deregulated one. Teams compete in different markets, gaining insight into income statements, balance sheets, cash flow, break-even points, value creation and the consequences of their many decisions. For example, at one point teams must decide whether to invest capital to increase generation capacity to potentially boost revenues – but without knowing for certain that demand will match supply. This is one of several ways employees learn how to meet the higher performance expectations of an investor-owned utility in a competitive situation. This “play and learn” approach is effective because it’s fun and it appeals to most preferred learning styles, including reading, observing, listening, interacting and touching. SCE used the game at its San Onofre Nuclear Generating Station (SONGS) while California was moving toward deregulation. Cheryl Adams, a project manager at SONGS, noted, “It’s a great style of training and people are still talking about it. It gave employees a better perspective of what it takes to be an executive and why they have to do certain aspects of their job.” Other user feedback demonstrates the value of such training. At OPG, which already has trained more than 1,400 employees using Power and ProfitAbility, Mauti described a major benefit of the sessions. “Our engineers started talking to our energy markets people and learned to understand costs better,” says Mauti. “It gives them the ability to make a



overall company results associated with planned outages at OPG's nuclear plants. "During scheduling, our engineers now take into consideration such factors as the marginal costs of the peaking plants that will be used during the outage," says Mauti. "They now see the big picture." John Fletcher, a consultant who used the simulation with BC Hydro, experienced similar success. "The training empowered union employees to implement sophisticated management concepts," says Fletcher. "The performance improvement was substantial and the savings in one instance alone quickly repaid the cost of the entire training program." Now more than ever, it's clear that power companies' success in competitive electricity or non-traditional business markets depends heavily on employees' understanding of the changes they must make to help their company prosper. George Sliter, manager of the Electric Power Research Institute's Nuclear Asset Program, participated in a training session at SONGS and told me it showed him that employees at the technical level are willing and ready to apply business principles to their jobs. With the right training tools provided by management, power company employees will learn to embrace change and take the steps needed to help their organization smoothly transition to a competitive market. And, as a bonus, they can have a lot of fun in the process.

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