

Board Paper

Title Positioning Enemalta Corporation for 2007/2008 to 2009/2010

Date: 22nd August 2007

Background

The Corporation is gearing up to conclude the 2007/2008 Business Plan. Prior to concluding the work there are certain matters which I believe the Business Plan should incorporate if as the Chief Executive Officer, I am to have an impact in assisting in the transition of the Corporation.

These matters are directed to address limitations which I believe hinder both the management as well as operational ability of the Corporation.

It is pertinent for me to state that to a large degree most of the recommendations presented hereunder have not been considered in the planning process. In essence, the planning is, to date, directed primarily to financing and investment matters. In order to give the planning a business perspective I held an afternoon workshop with all of the Chief Officers and line managers reporting to me. I put forward most of the thinking I present hereunder – with the exception of proposals relating to restructuring of the Offices of Chief Officers. Whilst my ideas were not dismissed, very little was put forward as alternatives in terms of business decisions that the Corporation should strategise and plan for.

The recommendations presented hereunder are, mostly, based on a, minimum, three year change horizon – though some require a far longer horizon. Some can be achieved relatively fast, whilst others will require resources, capacity building, culture change, and process transformation.

Discussion and Recommendations

01. Enemalta Corporation as a 'Model' Employer

Organisations are about people – structures, technology and plant are tools that enable improved effectiveness, economy and efficiency. It is, however, the competency and morale of staff that constitute the backbone of an organisation. I fear that the Corporation has traditionally placed little value towards its employees. This has allowed the Unions to assume a leading, but aggressive, role, looking at management as an enemy and dealing with it as such. Undoubtedly the Corporation under the stewardship of the Board is seeking to break this mould. The initiatives undertaken over the past couple of years or so, however, will take stronger root if the Corporation undertakes a sustained and aggressive stance to establish itself as a model employer.

I suggest the following:

(a) Attain the Investors In People Award

This is an international Award given to organisations that are recognised by the employees as well as external auditors to be 'model employers'

In truth, the award itself is not important. What is important is the transformation that the organisation must undergo to be able to qualify for the award: placing human resources at the strategic core of the organisation. Striving to achieve the IIA demands a transformation from

personnel administration, which is the case at the Corporation, to strategic human resource management.

A public commitment to achieve the award in five years will denote the Corporation's commitment to transform the way it will seek to position itself vis a vis its employees.

Recommendation

Publicly state that the Corporation will seek to attain the Investors In People Award within a period of 5 years as it seeks to position itself as a model employer.

(b) Human Resource Development and Continued Professional Development

The Corporation, under the stewardship of the Board, has taken positive action to establish and sustain an increased focus on human resource development. An immediate result is the vibrancy of the Marsaxlokk Training Centre, together with the resulting pride of the cadres of the said centre during the certificate award ceremony earlier in summer.

It is argued that the tempo established to date should be taken to a higher level. The need for an even more aggressive human resource development tempo is essential both to ensure that staff remain skilled as plant, technologies, process, et al change over time; for re-skilling and re-training staff as the nature of the job itself changes, as well as a motivation instrument.

It is essential that human resource development is targeted and directed toward immediate skills training as well towards preparing staff for anticipated changes. In essence, training should be governed by a Training Plan and a Training Needs Analysis that is driven by the HR department in conjunction with the line departments.

Recommendation

Considerably increase the Human Resources Development and Continued Professional Development budget in 2007/08.

The Corporation has a number of staff members educated at a technical level, who if given the opportunity could possibly be up-skilled and up-trained to an engineer level. Such an approach would not only provide excellent opportunities by the Corporation to its employees to improve themselves but would also act as a vehicle for the Corporation to increase its professional skills base and protect itself in terms of attrition of scarce professional skills.

It is thus proposed that the Corporation should work with MCAST to establish (if not already in place) a NVQ framework for engineering which in turn would act as a migration path for entry at certain levels of an engineering degree provided by the University of Malta or any other higher education institution. Discussions should also be initiated with the University of Malta to see whether an evening degree engineering programme can be organised.

Recommendation

Initiate discussion with MCAST and the University of Malta to establish the appropriate frameworks that will enable the Corporation to upskill technical staff into professional engineers.

Similarly, the Corporation should seek to encourage its staff members to continue professional up-skilling either to an engineering level or any other key area to the Corporation, as well as at Master levels for graduate employees. The Corporation should identify the strategic skills sets it requires and annually issue a call for applications to sponsor its staff to follow university or MCAST programmes.

Recommendation

Introduce an annual scholarship scheme directed to upskill its employees to graduate and post graduate levels in strategic areas defined by the Corporation.

(c) Targeted Recruitment On Campus

The Corporation struggles to compete in attracting the best and the brightest in certain strategic areas. Although mechanisms such as market correctivity can ameliorate the state of play, it is believed that the Corporation will always be at a disadvantage. To counter such a disadvantage it is proposed that the Corporation targets first year students in strategic areas and recruits them as Undergraduate Trainees. The scheme would be based on the provision of an attractive allowance during the study period, summer attachment to be spent at the Corporation, with the student upon graduation entering into a two year direct contract with the Corporation.

Recommendation

Introduce an Undergraduate Traineeship Scheme to allow for pro-active on-campus targeted recruitment of skills which are strategic to the Corporation; with the first intake to take place in October 2008.

(d) Short Term Exposure Attachments

The Corporation is moving into a new dimension: submarine interconnector; new generation technologies; renewable technologies, et al. It is a new era that demands a new mindset and a new way of behaviour. My impression is that most of the professional and technical staff at the Corporation are life time employees: the majority seem to have worked only with the Corporation. This instills a limitation: the practices, culture, plant, solutions that they know are the ones they have been exposed to during their employment within the Corporation.

It is argued that the Corporation should seek to establish a framework that will allow it to systematically attach staff on short term assignments with foreign counterparts as well as strategic suppliers that have a sound standing relationship with it. The objective of these assignments would be that of broadening the exposure of our staff to different experiences.

Recommendation

Introduce by December 2007 a framework that will allow the Corporation to systematically attach staff for short assignments with foreign counterparts and strategic suppliers.

(e) Health and Safety, and Basic Amenities

Health and safety is crucial given the environment within which staff at Enemalta operate in. To the extent possible, the Corporation must be able to anticipate risks in order to take preventive measures, as against reacting once disasters occur. Whilst line departments must be responsible for operations maintenance and issue management, a governance function that is independent of the line should be in place. This exists in the form the Health and Safety Unit within the HR department.

My impressions, however, are that this Unit is understaffed and "bullied" by the technical staff in the line. Moreover, my experience to date is that it is the Unions and the Health and Safety elected representatives that seem to ask for risk management exercises.

Notwithstanding the above, it is nevertheless imperative that a purist approach to health and safety is avoided. The fact remains that the Corporation particularly in relation to the Marsa Power Station operates an 'industrial' plant that is at least 60 years old. The ability to secure against health and safety hazards must thus be balanced, and grounded, by what is and what is not realistic to achieve.

Recommendations

The following are proposed:

01. The authority of the Health and Safety Unit is reinforced by means of upgrading the status of the function.
02. The Unit is strengthened by the engagement of at least 1 Risk Analyst to ensure that the Corporation is proactive in assessing risks.
03. The Corporation continues with its practice to bring specialists to undertake risk management audits where so appropriate.
04. An ad hoc budget line item is created to allow for recommendations stemming from preventive risk audits to be implemented.

The strengthening of the governance function does not mean abdication of the line from their respective responsibilities to ensure that the environment of generation, distribution as well as gas and petroleum management is retained as safe as possible.

In this regard it is argued that each line head is requested to draw up a health and safety plan as part of the annual Business and Financial planning process that priorities action they require to be undertaken to attain and retain their areas of operation to the minimum standards established by law. The budget required to finance the high priority areas should be made available on the strength of the planning made.

Recommendations

The following are proposed:

01. Line management is requested to draw up a health and safety plan as part of the annual business and financial planning process in order to secure continuous improvements in terms of standards established by law to the extent that this is

realistically attainable.

02. For financial year 2007/2008 an ad hoc budget line item is created to allow high priority work to be initiated.

Health and safety, however, demands that staff too are made aware of their obligations, rights, the existing dangers, et al. Whilst staff are equipped with the appropriate safety equipment, the Corporation applies a punitive culture to instill health and safety values. Yet, as with any culture changes, change will best be attained by means of education and continuous reinforcement. Pro-active measures could include strong poster campaigns, on-going health and safety awareness campaigns, et al.

Recommendations

The following are proposed:

01. An aggressive on-going health and safety education campaign is to planned and embarked up.
02. The education campaign is to embrace multi-media, posters, workshops, external lectures, et al.

(f) Performance Management

The Corporation has no financial mechanism to incentivise those that perform. The Corporation has a hierarchal framework that is, through the collective agreement, practically iron-clad. The only financial reward instrument that the Corporation applies is the increment – which has practically become a right.

The Corporation must find a way to allow it to financial award its best and brightest. And it must find a way to do so outside of the Collective Agreement.

A potential way forward is that of introducing a performance bonus scheme. The scheme could be based on a corporate 'performance kitty'. The intention would be that of financially awarding those employees – whatever position or grade they occupy – who would be classified as outstanding.

The scheme would demand a performance agreement that will be drawn up between the staff member and his / her manager. The agreement will be drawn up at the start of the calendar year – and a review completed at the end of the year. The 'kitty' would then be apportioned amongst those who will be classified as 'outstanding'. In order to avoid a creep which would see everybody termed as 'outstanding' an a priori '%' based on a normal distribution curve will determine the number that can be awarded. The scheme will be governed by the Human Resources department but managed by the line. The bonus will be one-off and will not be integrated within the salary base line.

The Corporation will a priori, and throughout, unequivocally declare that the performance 'kitty' scheme is not a right, is outside of the collective agreement and that it is a mechanism that the Corporation will apply at its strategic instrument (which could be withdrawn if so necessary) to provide financial recognition to the Corporation's best and brightest.

Recommendations

The following are proposed:

01. A Performance Reward Scheme is set up by November 2007.
02. All line Managers and Supervisors are trained to draw up performance agreements by the end of December 2007.
03. The % of staff who will be designated as 'Outstanding' will not be greater than 10% of the workforce.
04. The 'kitty' for calendar year 2008 will be Lm150,000.
05. The scheme will be governed by the Human Resources department and managed by the line.

(g) Team Building

Team building is an effective management tool. The Corporation last year carried out the first team building initiative – directed towards the management layer of the organisation. The post mortem of this initiative indicates that a general team building approach is too approach, and given the level of the maturity of the Corporation a department / unit targeted approach would be more effective.

It is argued that the Corporation design a targeted team building exercise directed at a strategic unit or function of the Corporation. A post mortem should subsequently be carried out. If successful, and subject to appropriate calibration, then the Corporation should embark on a team building initiative that targets once such function / unit monthly.

Recommendation

The following recommendations are proposed:

01. Pilot a targeted team building exercise at a strategic function or group by November 2007.
02. If successful undertake a targeted team building initiative on a monthly basis.

(h) Continuing with the Office and Basic Amenities Refurbishment Programme

The initiative embarked upon by the Board in 2007 to (i) establish part of the office block as a model open space office; (ii) the up grading of the reception; and (iii) the up grading of basic amenities in the plants and district offices is excellent and should be continued in 2008.

To the extent possible, the pace in 2008 should be as aggressive as possible, and should continue to be two pronged: (a) directed at up grading the office environment; and (b) improving the amenities and working environment at the Marsa Plant, District Offices, stores, etc.

Recommendation

The Office and Basic amenities refurbishment programme initiated in 2007 should be continued at an aggressive tempo and in a systematic manner so that by 2010 the working environment at the Corporation is upgraded to an excellent quality level.

02. Re-tuning the Organisational Structure

I believe that there are a number of limitations in the organisational structure of the Corporation. These are discussed hereunder.

(a) Performance Management and Monitoring

In the 5 weeks into my role as Chief Executive I still cannot obtain a handle of the project underway at the Corporation and how these are performing; the services provided and how these are provided; where my focus should lie to ensure delivery et al.

Further to this, no benchmarks are in place that gauge the performance – whether this relates to projects or services – provided; benchmarks which allow for the identification of problem areas and therefore the undertaking of proactive action to minimise the performance gap between the metric and the benchmark.

Strategic projects such as the 100MW Generation Plan do not have a project plan – and thus this begs the question of how smaller projects are managed – which make it difficult to understand whether how we are progressing and the corrective action required.

Recommendations

The following are proposed:

01. Establish a Performance Management and Monitoring Unit within the Strategy and Communications Department with responsibility for:
 - establishing an infrastructure for project and services monitoring.
 - ensuring projects plans are in placed and periodic project reports are issued.
 - ensuring that service KPIs and KPTs are in placed and measured.
 - identifying problem areas.
 - provide intelligence reporting.
 - introduced the Balanced Score Card Methodology within the Corporation.
02. A new position of Manager, Performance Management and Monitoring Unit is created together with 3 positions of Performance Analysts.
03. The Balanced Score Card Methodology is far more important in terms of the disciplines it will introduce than the actual implementation of the methodology.

(b) Office of the Chief Information Officer

I perceive this, together with a strategic HR department, as the Corporation's change agent. It is, however, currently structured as an ICT technical shop. I believe that bias must be skewed towards change management.

As you may be aware, Government took a policy decision to consolidate all ICT technical services within MITTS Ltd. In doing so, this will mean that the Corporation would not need to concern itself beyond immediate first line support. It is pertinent to highlight that the Corporation does not have a robust ICT infrastructure. The Data Centre for example is run through PC Servers, with no redundancy available what so ever. Sourcing technical support to MITTS Ltd would not mean that the Corporation will be stripped completely from technical support. Technical support would still be required on Desk Top immediate response services, and on the Corporation's WAN network services.

There is, however, no doubt that focus must shift on two areas. The first is the IUBS – and a memorandum to this effect has already been presented to you. The second area is that of applying ICT to process engineer the Corporation in terms of e-services, business intelligence, or management process improvements – in part as short term solutions until the IUBS comes on board; and in part as permanent solutions.

Recommendations

The following are proposed:

01. Enemalta Corporation seeks agreement with MITTS Ltd to source technical first level, second level, third level support as well as hosting services as per Cabinet decision of summer 2005.
02. Enemalta Corporation enters into discussion with MITTS Ltd to transfer technical staff that may be surplus to requirements following such sourcing.
03. Engagement, or sourcing, of 1 Programme Manager and 4 Project Manager is initiated in terms of the IUBS Memorandum.
04. At least 2 Project Managers are engaged to drive e-services, intelligence, and process improvement initiatives.
05. At least 3 Process Engineering Analysts are engaged to support the work in 4 above.

(c) Operations Centre

Whilst the Control Room of the Delimara Power Station is impressive, the Corporation does not have an Operations Centre that allows it to manage electricity up time. Invariably the Corporation realises that unplanned interrupted service occurs through the Customer Care Office or irate clients phoning the upper executive levels of the Corporation. The existing set-up also does not allow the Corporation to redistribute energy electronically through redundant routs when faults occur – with the rectification of the uninterrupted supply depending on the speed of Gangs to reach the fault.

It is recognised that major change in this regard is dependent on the Electricity Module of the IUBS solution. It is, nevertheless, pertinent to state that out of the 17 Distribution Centres only 4 are SCADA compliant. In essence, therefore, for IUBS to be effective, the remaining 13

Distribution Centres must be retrofitted to enable effective use of SCADA. My understanding is that such retrofitting must reach Sub-Station level for the IUBS to be effective. I am given to understand that such retro-fitting is possible.

Recommendations

The following are proposed:

01. Establish a dedicated team – by internal or if necessary external resources – to embark upon a sustained programme to retrofit all of the 14 Distribution Centres so that they become SCADA compliant.
02. Initiate a process to upgrade the facilities of the newly set-up Operations Centre, and to place this on a 24*7 operations.

(d) Disaster Management

The Inquiry report on the Valve incident at the Marsa Power Station shows that Enemalta is not organised in terms of leadership and managed counter-active action when a serious incident occurs. The Inquiry in this regard puts forward a number of recommendations that the Corporation should adopt so that it is better prepared for future events.

It is argued that the Corporation, should however, go beyond the recommendations of the Inquiry Report and establish a Disaster Management Centre. The objective of the Disaster Management Centre would, at least initially, be dual oriented: (a) health and safety; and (b) major distribution / generation issues.

The purpose of the Disaster Management Centre is that of a priori identifying actions and responsibilities necessary in the management of a disaster, chain of command, availability of appropriate tools, contingency plans et al that will enable the Corporation to take action in rational, managed and competent manner as and when a disaster occurs.

Recommendations

The following are proposed:

01. Establish a locus of responsibility of a Disaster Management Centre.
02. Establish the soft and hard infrastructure that will allow the Corporation to take action in a rational, managed and competent manner as and when a disaster occurs.

(e) Service Call Centre

The move to establish a centralised Service Call Centre and to provide electronic information on demand is a correct one. It is never the less argued that the role of the Service Call Centre should be broadened to enable the Call Centre to:

- act the only port of call for electronic interactions with the Corporation
- act as first line of support vis a vis the management of immediate reaction to arising district issues

- act as the Intelligent interface between the client and the Corporation until such time that Enemalta Corporation places all of its interactive client process on an e-services platform.

In this regard, it is believed that a programme of work should be undertaken to:

- (a) establish a knowledge base of queries and information sought by clients so that a consistent framework for responding to requests for information is in place; with such knowledge base to be shared with the staff at the Customer Care Office, which for the time being should remain distinct from the service call centre.
- (b) continue the process to enable the Corporation to provide pro-active services and to all for e-services where and so necessary.

The question of whether the Service Call Centre should be on a 24*7, or should work across a shift that covers the critical hours, say 0600 to 2300, is dependent on the quality of the staff. The graveyard shift could be extremely effective to build the knowledge base – if the selected staff are up to the task.

Recommendations

The following are proposed:

01. Broaden the concept of the Service Call Centre to establish it as an 'intelligent' voice and electronic interface with the clients, and as the gateway for voice and electronic interaction with the Corporation.
02. Prepare and implement a programme that will achieve pro-active and inter-active e- and m- services with the Corporation's clients, and a 'knowledge base' that will allow for a consistent framework for responding to information requests submitted to the Service Call Centre and to the Customer Care Centre.

(f) Quality Assurance Unit

It is my considered opinion that the Corporation does not have a quality assurance function. My understanding is that ISO9001:2000 has been achieved in only one area of the Corporation – the Aviation Department.

The need to introduce quality standards stems primarily from the fact that the application of such standards act as a leverage for process transformation, rationalization and change. The marquee attained by the Corporation in becoming ISO compliant is, in essence, a secondary goal.

It is argued that the Corporation should establish a Quality Assurance Unit that will seek to:

- improve operational safety, reliability and effectiveness of services aimed at maintaining its high competitiveness at present and in future.
- create the Corporate Quality Management System based on the EFQM methodology, complemented by ISO 9001:2000 certification.
- establish the Environmental Management Systems, meeting ISO 14000 certification for constant minimising the environmental impact during generation.

- centralise any other quality measures underway at the Corporation within the Quality Assurance Unit.

The Quality Assurance function has to be independent of the line – as it acts as a check and balance on the line. Moreover, the Quality Assurance function is different from an Internal Audit function. The former is one of the vehicles available to the Chief Executive to assure quality delivery from the line. The latter is a corporate governance function available to the Chairman and the Board to assure good governance, value for money, and compliance.

Recommendations

The following are proposed:

01. Establish a Quality Assurance Unit on the basis of the terms of reference proposed.
02. The Quality Assurance Unit to be positioned within the Office of Strategy and Communications.
03. Integrate any quality activity underway in the Corporation within the Quality Assurance Unit.
04. An incremental implementation strategy is adopted initially targeting soft areas to attain early wins.

(g) Internal Audit

It is understood that the Corporation has not been successful in setting up an Internal Audit function. It is hoped that should the recommendations relating to market correctivity allowances are accepted than this matter is overcome. It is believed that the internal audit function at the Corporation, given its budget, should be at least three persons – or at least one person with the ability to parachute resources from the private sector.

The point is argued that the absence of internal audits at the Corporation leaves the Board the exposed – despite the activity it has undertaken to rectify this matter. As an interim basis it is proposed that the Board should positively consider assigning at least one internal audit study to the private sector firms which have responded to the Internal Audit Services tender. Whilst this would constitute a short-term measure until internal capacity is built it will demonstrate intent to assure good governance despite the difficulties encountered.

Recommendations

The following are proposed:

01. Continue with the attempts to build an in-house internal audit capacity – 3 persons; dependent on successfully attaining authorization for a market correctivity allowance.
02. Assign at least one internal audit assignment to an appropriate firm that responded to the Internal Audit Services tender.

(h) EU and Regulatory Affairs Unit

Steps have been taken to establish this Unit within the Electricity Division. It is believed that this Unit is critical for the Corporation. The Corporation must be in a strong position to influence both the appropriate EU working committees and directives on its core business, as well as to work with the myriad of regulatory authorities it has to deal with: MRA, MEPA, OHSA.

A weak EU and regulatory framework would mean that the Corporation will not be in a position to influence policy – in the EU as well as Malta – rendering it considerably exposed in a difficult period of its existence: as the market is in flux due to the arising changes in the regulatory framework, and the increasing international aggressive measures vis a vis environment obligations.

Recommendations

The following are proposed:

01. The process to build the EU and Regulatory Affairs Unit should be achieved as rapidly as possible.
02. The locum of responsibility for the EU and Regulatory Affairs Unit would rest with the new Office of the Chief Officer: Strategy and Communications.

(i) Office of Strategy and Communications

The decision to establish this Office is made. The Office of Strategy and Communications will be responsible for:

- strategic planning
- business planning
- performance management and monitoring
- quality assurance
- EU and regulatory affairs
- alternative technologies
- innovative technologies
- mobilising support and managing expectations internal and external to the Corporation.

A number of these functional responsibilities are discussed in this paper. Some are in place, some are being built, some are being proposed in this paper, and some are as yet to be established.

At the appropriate moment, the line management within the Corporation is to be informed of the decision relating to the setting up of this Office; and existing functions alerted to the fact that they will be migrated accordingly. Moreover, the appropriate support is to be provided so the newly created functions are resources as appropriate.

Recommendations

The following are proposed:

01. The setting up of this Office should be communicated, and functions to be migrated to it alerted.

02. The Office should be resourced as appropriate to render it effective.

(j) Revenue Protection Unit

The establishment of the Revenue Protection Unit was an excellent initiative. Despite the fact that the revenue protection assessment part of the Unit is small excellent results have been achieved. It is believed that this Unit should be strengthened in terms of the Business Intelligence Analysts assigned to it in order to strengthen the intelligence capacity of the Unit.

It is argued that there is complementarity in work carried out by the Revenue Protection Unit and the Credit Assessment Unit. The basis intelligence infrastructure is similar, and legal and support resources may be common to both.

Furthermore, there is merit in removing revenue protection from line management, and locating it within the Office of the Chief Financial Officer to strengthen checks and balances as appropriate. Moreover, this is one area where short term Management Information investment may be considered so that efficacy of the theft profiling and modelling becomes far more accurate.

Recommendations

The following are proposed:

01. The Revenue Protection Unit is strengthened in terms of business intelligence capacity.
02. The Revenue Protection Unit is consolidated with the Credit Assessment Unit, and brought under one leadership in order to consolidate logistic and legal support, and for governance purposes.
03. Investment in a short term Management Information system to strengthen the modeling and profiling abilities of the Unit should be considered if cost effective.

03. Management Capacity

(a) Management Authority

The existing (though expired) collective agreement distorts management authority towards the Unions in a number of key instances which are clearly the prerogative of management. In drawing up the new collective agreement it is imperative that the Corporation does not concede on any of its management prerogatives.

It is pertinent to state that a parallel situation existing in the Public Service. This matter, however, was satisfactorily resolved in the 2006 – 2010 collective agreement signed between the Public Service and the Unions – of which both the UHM and GWU were signatories.

Section 5.1 of Clause 5 titled Management of Business states the following:

"5.1 Without prejudice to the provisions of this Agreement, the management of the business and the operations in general of the Employer and the authority to execute all the various duties, functions and responsibilities incidental thereto are vested in the Employer."

Recommendation

The Corporation should secure the above Management Prerogative right as represented in the Public Service Collective Agreement within the New Corporation Collective Agreement.

(b) Hours of Work

The Corporation has no control on its hours of work. The hours of work employed by the Corporation are inefficient resulting in considerable unnecessary costs due to the need to rope in persons on overtime.

It is recognised that this matter is a key issue with the Unions. Yet, once again, it is pertinent to refer to the Public Service collective agreement. Here too, government summer work schedules are an issue. This matter was resolved – to some degree – in the aforementioned collective agreement.

Section 8 of the collective agreement titled flexibility states:

“8.1 The Employer shall continue to facilitate the implementation of existing flexibility measures and to further explore the possible introduction of other cost effective flexibility arrangements such as flexitime, job sharing and teleworking, as and where feasible and appropriate.

8.2 The Employer and the Unions recognise the need of flexibility in work schedules and staff deployment in order to ensure the effective and efficient delivery of service, and in order to achieve this objective;

(a) the Employer shall take effective steps to introduce new schedules according to the exigencies of the Service. Such steps in particular shall be taken where public services to the business and tourism sectors are involved; and

(b) changes with respect to appropriate work schedules to be adopted by the Employer in particular Ministries, Divisions, Departments or Units shall be thoroughly discussed between the Employer and the Union/Unions concerned for at least six months before such changes are introduced and brought into force.”

Recommendations:

The following are proposed:

01. The Corporation should secure the above Flexibility right vis-à-vis hours of work as represented in the Public Service Collective Agreement within the New Corporation Collective Agreement.
02. As early as is political possible Enemalta enters into consultation with the Unions vis a vis new hours of work.
03. The Corporation should not adopt a one size fits all working schedule; but rather one that takes into account the specificity of work carried out by the various functions within the Corporation.

It is pertinent to add that Section 08.3 of the Public Service Collective Agreement recognises under employment, and the need to for training and multi-skilling initiatives. The Collective Agreement allows the Employer, following consultation with the Unions, to:

"... deploy employees in the Public Service and/or public sector as required within the parameters of their appointment on different work schedules and different areas of work according to operational requirements and to specific assignments."

Recommendation

The Corporation should secure the above Flexibility right vis-à-vis redeployment and multi-skilling as represented in the Public Service Collective Agreement within the New Corporation Collective Agreement.

(c) Multi-Skilling and Multi-Tasking

As the Corporation faces restructuring due to the changing business environment, privatization of the Gas and Petroleum Divisions, et al, multi-skilling and multi-tasking becomes a very important tool for the Corporation to obtain better value and cost efficiencies.

It is pertinent to underline that various multi-skilling and multi-tasking initiatives are underway within the Corporation. An example is the streamlining of the District Gangs from 5 personnel to 3 – 2 Distribution Tradesmen and a Distribution Linesman.

Despite the good work underway in this regard, the Corporation is finding it difficult to attract Distribution Linesmen to occupy the position of Distribution Tradesman. The feedback is that the increase in financial remuneration does not warrant the new responsibilities.

For multi-tasking and multi-skilling to work, the Corporation must have the flexibility to award outside of the formal structure to attract persons from within into the new positions. Multi-tasking and multi-skilling should, at least in theory, lead to lesser costs as more effective ways of doing business are introduced, and the productivity and output of internal staff increased, without the need to resort for external staff.

It is pertinent to underline, that the afore mentioned collective agreement for the Public Service establishes, amongst others, the following as a package for Public Officers that are assigned with a Public Private Partnership:

- Payment of basic salary guaranteed through linkage with the Treasury which will continue to compute and indemnify salaries;
- A flexibility bonus of 10% to 25% on basic salary may be paid by the Government for flexibility in working arrangements such as duties beyond those expected from the substantive grade, and for working to flexible timetables and outside established hierarchical structures. Guidelines for the award of bonuses will be drawn up;
- Cash bonuses may also be paid by the management of the partnership related to performance, responsibility and multitasking;
- Opportunities will be provided for retraining and reskilling;
- Participation in incentive schemes may be administered by the management of the partnership;
- Assignment on higher duties for higher pay may be made by the management of the partnership on the basis of merit irrespective of grade structure and seniority, resulting in a changing and less rigid chain of command.

Recommendation

Enter into discussion with the MIIT and the Collective Bargaining Unit to apply a number of these principles in the new Collective Agreement specifically to enable the Corporation to

undertake an aggressive and sustained multi-skilling and multi-tasking programme.

(d) Cost Centres

The Corporation does not operate on Cost Centres. All line items are managed by the Office of the Chief Financial Officer.

The situation is such: the Chief Technical Officer is entrusted to run Malta's two generation plants, and the distribution of electricity, yet has no authority to sign for training or overseas travel for his staff – requiring authorisation from the undersigned. The pareto principle is definitely not correct.

The absence of a cost centre responsibility framework centralises authority for what in essence are non important matters; and in doing so diverting the attention of senior management from that which is essential.

The establishment of a cost centre responsibility framework is premised on accountability: that management is empowered with the latitude to manage but is then held accountable, and responsible, in the event of his or her failure to manage.

Moving to a cost centre responsibility framework will demand that cost centres are established as part of the financial budgeting process, with the Office of the Chief Technical Officer assuming a governance rather than authorizing authority.

Recommendation

01. Initiate the process to introduce a cost centre responsibility framework within the 2007/2008 budgetary process with authority to be delegated on matter such as:
 - travel
 - administration
 - training
 - replacement of staff
 - overtime
 - etc.
02. Review the cost centre responsibility framework in June 2008, and if successful extend for all other major items such as employment, investment, et al.
03. Responsibility is devolved on the basis of Instrument of Delegation; and such delegation being withdrawn in the event of mismanagement of the devolved authority.

(e) Policy and Management Parameters

This relates to the previous memorandum I submitted on the need to define and articulate policy manuals that set out the management parameters. This work will complement the work mentioned above in this Memorandum in relation to attaining the ISO9001:2000 standard.

The guiding principle behind the articulation of these policy documents is to decentralize to the extent possible management authority. For example, the recruitment of a Tradesman in the District Office should be managed by the line manager of that Office, with the HR department

assuming a governance function to ensure integrity of the process. The HR department should not be in a position to manage selection; but rather to govern and facilitate the process.

(f) Management Information

The infrastructure is to a large degree missing. It is however recognised that little can be attained at this stage outside of the IUBS solution. Given the time process required for implementing the IUBS solution, the Corporation should consider short term ICT or ICT dependent activities if there is a manifest need for such a solution.

A potential areas where a short term solution may be required is the establishment of more effective management information to enable for improved profiled targeting of theft and abuse.

Recommendation

In so far as possible proceed within the IUBS solution although short term Management Information measures when considered to be cost effective should be proposed to the Board for consideration.

(g) Investment Assessment

Despite attempts to instill a culture of investment assessment by the Office of the Chief Financial Officer this has been only relatively successful. Investment of a considerable magnitude is not supported by an Investment Assessment that looks at cost-benefits; payback, RoI, et al.

It is pertinent to note that Cabinet has now demanded that all investment greater than Lm100,000 is to be subject to a project evaluation form which is to be forwarded to Cabinet, through the FMMU, for approval.

In this regard, the Corporation should apply the project evaluation form requested by Cabinet for all investment above Lm100,000.

Recommendation

Re-affirm the internal Investment Assessment methodology.

(j) Instilling Accountability

The process of devolving authority to management must be tempered by a very strong culture of accountability. Enforcing accountability does not mean that the Corporation should adopt a culture that does not tolerate mistakes.

Mistakes made in good faith, where so possible, should be accepted, and staff should be made aware that mistakes do not lead to sanctions. To the extent possible, the Corporation should refrain from establishing, or being seen to establish, a culture of fear.

Notwithstanding the above, the Corporation should demand professionalism and a work ethic from all of its employees. All staff should be informed and made to understand that they are expected to work in a productive and professional manner at work. Information I requested seem to show that few people have had their employment terminated with the Corporation for non performance.

In denoting the importance that the Corporation places on professional delivery and productivity. A particular useful tool in this regard is the introduction of a Time Recording System across the Corporation.

Recommendations:

The following are proposed:

01. The Corporation sets out to establish a culture that expects professionalism, work ethic, and yet is one that looks at mistakes made in good faith as learning opportunities.
02. The Corporation looks at potential tools it can introduce to assist it in building this culture; a potential such tool being a Time Recording System.
03. The Corporation demands accountability, and where such accountability is not forthcoming to take action accordingly.

(k) Project Management

The Corporation is embarking on massive projects to implement the generation plan and the transmission plan respectively. Simultaneously, the Corporation will embark on the implementation of the IUBS solution.

These projects to be successful require strong project management – in terms of the rigour of the methodology to be applied as well as the ability to manage in an organised manner the various stakeholders involved.

Excellent project management methodology and expertise is sine qua non. A review of major projects in ICT, for example, shows that invariably projects fail due to the lack of project management rigour imposed, and the ability to manage the contractor as well as other stakeholders.

The first impression is that project management methodology – not necessarily expertise – is missing within the Corporation. In the Project Review Board held vis a vis the 100 MW Generation Plan and other initiatives underway no terms of reference are place, no project plans are available, et al.

The Office of the Chief Technical Officer is planning to expose a sizeable number of his officers in the Project Management Institute body of knowledge. This initiative must be supported and broadened further – to encompass all engineers and persons that will be involved in these large projects in such a methodological framework. To the extent possible, the identified staff should be encouraged to obtain the appropriate accreditation.

The project management staff within the Office of the Chief Information Officer should be also be exposed to project management methodology. Ideally, these staff should be placed on Lean PRINCE 2 project management methodology – the foremost ICT project management methodology applied in European and Commonwealth countries.

Ideally the organisation should adopt one project management methodology. Nevertheless, it is argued that at this stage of development of project management culture within the Corporation, the availability of two methodologies is not considered to be a concern.

It is pertinent to underline, that imbuing a culture of project management through the introduction of the appropriate methodology does not mean that de facto the Corporation will have a better a cadre of project managers. What it will at least achieve is that the basis of what is necessary for project management to be successful is ingrained, and a body of knowledge made available.

Recommendations

The following are proposed:

01. The Office of the Chief Technical Officer assumes the PMI methodology as its formal methodology and that the broadest element of staff within the Office are trained in the said methodology and if possible accredited in the said methodology.
02. The Office of the Chief Information Officer assumes the Lean PRINCE2 methodology as its formal methodology and that the broadest element of staff within the Office are trained in the said methodology and if possible accredited in the said methodology.

04. Calibration of Strategic Orientation of the Corporation

(a) Influencing the Demand of Electricity

The Corporation has traditionally been responsible for the management of supply of electricity. Indeed, the management of the supply of electricity is its core business. The state of play, as understood, is such that the Corporation loses money the more supply of electricity it provides; and increasing demand places pressure on the Corporation to ensure that it has the appropriate generating and distribution capacity to meet high peak demand.

Educating clients on how to effectively manage electricity by means of intensive education campaigns, provision of information, pro-active m-government slots et al could have a marginal incremental positive effect on the growth of the demands for electricity, and the cascading impact that increased demand places on the Corporation's infrastructure.

Whilst it is recognised that the management of demand of electricity is more of a MRA responsibility, the fact remains that it is in the Corporation's interest to take a pro-active role in this regard.

Recommendations:

The following are proposed:

01. The Corporation articulates a strategy by 1st Quarter 2008 of how to influence the demand of electricity bringing in appropriate stakeholders.
02. The Corporation allocates a line item budget for activities related to the management of demand.

(b) Applying Innovative Technologies to Address Conventional Problems

The Corporation should be more aggressive in seeking innovative technologies to address conventional problems.

An example demonstrates this point. The Corporation faces key issues vis a vis CO₂, NO, NO_x, S emissions – which in turn have led to decommissioning death sentences to be placed on both the Marsa Power Station, and the Delimara Power Station.

Undoubtedly, the decommissioning of the Marsa Power Station is required if for no other matter to replace 50/40 year out generation equipment by more new equipment to increase efficiencies, economies, and effectiveness. Nevertheless, the actual date of decommissioning may be such that will place onerous difficulties on the Corporation to manage in terms of financing and implementation of new investment.

Innovative technologies are currently being developed in various countries directed to breakdown CO₂, NO, NO_x and S emissions prior to being emitted in the air. One of the innovative technologies that is being prototyped relates to the use of algae to achieve this – in turn dependent on water and sea; both available in Malta.

There is no evidence that the Corporation is looking at such Innovative Technologies in relation to this, or for the matter other problems of strategic import to the Corporation.

Recommendations:

The following are proposed:

01. The Corporation assumes an aggressive stance to seek innovative technologies to address problems of strategic import to it.
02. The Corporation works with EuroMedITI Ltd for the identification of potential solutions and solution partners to address problems of strategic import to it.
03. The Corporation establishes an ad hoc line item to allow it to pilot innovative technologies identified to address problems of strategic import to it.

(c) Championing Alternative and Renewable Technologies

The Corporation is taking a leading role in championing alternative and renewable technologies. It should continue to do this as aggressively as possible. In the main, the major drive would be in the application of Green Policy and alternative / renewable technologies.

In tandem with (a) above, the Corporation should lobby strongly with the Ministry of Finance so that strong incentives are introduced to allow for increased take up of alternative technologies and renewables such as PV, solar powered heaters, etc. Whilst it is in the Corporation's interest that the use of alternative and renewable technologies increases considerably it is not within the Corporation's financial ability to subsidise such scheme.

Recommendations:

The Corporation continues to lobby Government to broaden the range as well as increase the financial incentives related to the domestic and industrial up take of alternative / renewable technologies.

05. Financial Impact

These recommendations will increase the operational cost of the Corporation. Yet, it is pertinent to underline that what these recommendations seek to do is that of building the strategic and management infrastructure which the Corporation should have long introduced.

Given the cost factor, it is imperative that these recommendations are considered within the three year planning horizon – starting from 2007/2008 to 2009/2010.

The following is a rough estimation of the cost related to the recommendations proposed for 2007/2008:

Recommendation	Human Resources	Other Costs	Lm
1 (a) Attain Investors In People Award		Opportunity Cost	
1 (b) Budget for HRD and CPD			200,000
Budget for Upskilling to Professional Engineering			25,000
Budget for Scholarship			25,000
1 (c) On Campus Recruitment			15,000
1 (d) Short Term Exposure Attachments			25,000
1 (e) Strengthening of health and safety:			
Risk Analyst	1		11,000
Implementation of Risk Assess.			150,000
Cost Centre for Electricity Div			200,000
Communications			8,000
1 (f) Performance Management			150,000
1 (g) Team Building			8,000
1 (h) Refurbishment			150,000
2 (a) Chief Officer Human Resources	1		24,000
2 (b) Chief Officer Safety, Security and CS			
2 (c) Chief Officer Strategic Sourcing	1		20,000
2 (d) Performance Management and Monitoring Unit	3	ICT	60,000
2 (e) Office of the Chief Information Officer			
Divesting to MITTS Ltd as per Cabinet Decision			TBD
Programme Manager, IUBS	1		25,000
4 Project Managers, IUBS	4		80,000
Negotiation Consultancy			150,000
Project Managers, Change	2		40,000
Business Change Analysts	3		40,000
2 (f) DC SCADA Technology Retrofitting			TBD
2 (g) Disaster Management Centre		Opportunity Cost	
2 (h) Service Call Centre, e-Services et al			TBD
2 (i) Quality Assurance Unit	3	ICT	60,000
2 (j) Internal Audit Unit	3		40,000
2 (k) EU and Regulatory Affairs Unit	3		60,000
2 (l) Office of Strategy and Communications	2		35,000
2 Revenue Protection Unit	2	ICT	60,000
(m)			

3 (a) Management Authority	
3 (b) Hours of Work	
3 (c) Multi-Skilling and Multi-Tasking	TBD
3 (d) Cost Centres	
3 (e) Policy Management and Parameters	35,000
3 (f) Management Information	120,000
3 (g) Investment Assessment	
3 (h) Instilling Accountability	
3 (i) Project Management	30,000
4 (a) Influencing the Demand on Electricity	60,000
4 (b) Applying Innovative Technologies	300,000
4 (c) Championing Alternative Technologies	

29

2,206,000

In conclusion, the initial cost to establish this strategic and management infrastructure will result in recurrent cost rationalise as the Corporation would be in a position to proactively manage its agenda.

David Spiteri Gingell
Chief Executive Officer