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USAID POWER DISTRIBUTION PROGRAM

ORGANIZATIONAL ASSESSMENT & RESTRUCTURING
PROJECT – NEPRA

Initial Assessment – “As Is” Report
October 2013

USAID POWER DISTRIBUTION PROGRAM

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DISCLAIMER

The author’s views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

ACRONYMS

AAR – Annual Assessment Report
 ACMA – Associate Chartered Management Accountant
 ACR – Annual Confidential Report
 APM - Authority Proposed Modifications
 AD – Assistant Director
 BA– Bachelors of Arts
 CA – Chartered Accountant
 CAD – Consumer Affairs Department
 DD - Deputy Director
 DISCO – Power Distribution Company
 DG – Director General
 DPQ – Departmental Profile Questionnaire
 ERP – Enterprise Resource Planning
 GENCOs - Generation Companies
 HQ – Head Quarter
 HR – Human Resource
 HR/A- Human Resource and Administration
 HR&CM – Human Resource & Change Management
 HRD – Human Resource Development
 HRIS – Human Resource Information System
 HRM – Human Resource Management
 HRMS - Human Resource Management System
 IA – Internal Audit
 IT- Information Technology
 ISB – Islamabad
 JDs – Job Descriptions
 KPIs - Key Performance Indicators
 LPM – Licensee Proposed Modification
 MA – Masters of Arts
 M&E – Monitoring and Enforcement
 MS - Microsoft
 MWP – Ministry of Water & Power
 MQ – Members Questionnaire
 NEPRA – National Electric Power Regulatory Authority
 NOC – No Objection Certificate
 NPG – NEPRA Professional Grade
 NEG – NEPRA Executive Grade
 NSG – NEPRA Service Grade
 NSR – NEPRA Service Rules
 PMS – Performance Management System
 PDP – Power Distribution Program
 PDQ – Position Description Questionnaire

PPIB – Private Power Infrastructure Board

R & D – Research and Development

Sr. AD – Senior Assistant Director

SOP – Standard Operating Procedure

TOR – Terms of Reference

TRANSCOs - Transmission Companies

T&G – Transmission & Grid

TNA – Training Needs Assessment

USAID – United States Agency for International Development

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1. EXECUTIVE SUMMARY

The 1992 Strategic Plan¹ envisioned the creation of an independent regulatory authority to provide a level playing field to all stake holders and to assure prospective investors that an independent agency would be objectively deciding on regulatory matters of power sector without external influence. The National Electric Power Regulatory Authority (NEPRA) was established by the Government of Pakistan in January 1995 through a Presidential Ordinance and formally notified through promulgation of the Regulation of Generation, Transmission and Distribution of Electric Power, as Act No. XL of 1997 on 13 December 1997.

NEPRA is mandated to regulate the electric power sector of Pakistan, with an eventual goal to facilitate the transition from a monopoly service structure to an efficient and market-driven environment, to safeguard consumers and maintain a fair balance between the interests of the consumers and those of the service providers. The 1997 NEPRA Act sets forth the legal authority by which NEPRA may issue rules, regulations and procedures as per its objectives.

NEPRA has requested the United States of International Development (USAID) Power Distribution Program (PDP) for assistance in a number of areas for an assessment and to provide improvement/recommendations in institutional, operational and technical functions, which will eventually assist NEPRA to implement modern corporate governance practices. This includes undertaking an organizational assessment and identifying areas for restructuring. Accordingly, restructuring is planned, with the ultimate objective to have in place an organizational set-up in place, reflecting a strong and progressive corporate culture that typically reflects a vibrant international standard in which NEPRA management and staff have well defined job descriptions (JDs) and functions. A reinvigorated NEPRA structure with improved clarity of functional roles will support management to be endowed with appropriate capacity and employees accept and understand their responsibilities. A well-structured NEPRA will be geared to meet current or expected operational requirements with new skills and capabilities that are needed and where accountability for results are clearly communicated and measured. A key parameter would be to ensure that technology and/or innovation creating changes in the workflow and processes are taken into account through revised job profiles and the revised organizational structure. PDP envisages undertaking the assessment and the development of proposals and an implementation strategy for restructuring. Actual organizational restructuring is subject to NEPRA’s approval.

The overall USAID assistance package and interventions that will improve the capacity of NEPRA so that it plays its role as an effective regulator are as follows:

1. Organizational assessment and restructuring – the subject of this Report; other areas covered by PDP’s assistance are, as follows:
2. Review of electricity sector market framework
3. Modification in tariff rules and regulations
4. Equipment and software upgrade
5. Regulatory partnerships – facilitation and development
6. Regulatory changes

¹International Resources Group, Putnum, Hayes & Bartlett Inc, Hunton & Williams; April 1992; “*WAPDA’s Strategic Plan for the Privatization of the Pakistani Power Sector*”.

2. INTRODUCTION

A. Purpose of the Report

Following the request for assistance by NEPRA, PDP commenced work with respect to improving NEPRA’s overall efficiency and structurally aligning it with the needs of the power market.

The Report analyzes the organizational structure, roles of members, senior management and other staff. To determine areas of improvement, a comparative analysis has been performed and which is documented in this Report. This Report also presents an “As Is” status of NEPRA’s role as a regulator, specifies its strengths and weaknesses by undertaking a high-level review of the NEPRA Act, and assesses its current business and functional requirements, processes and the state of the human resource management system currently in place. There has been reliance on information and data provided by NEPRA, and supplemented by other available industry data, best practices and PDP’s own professional views and experience based on our previous work in similar projects.

The Report provides an executive summary and details of the methodology used, the results of the work carried out, and recommendations for consideration by NEPRA for implementation.

In undertaking this assignment, the PDP team has worked in close coordination with NEPRA’s staff. The primary objective was to arrive at a baseline with regards to the current regulatory frame work; functional areas; rules and regulations already developed and implemented; organizational structure, hierarchies and reporting lines; human resources management system; communication channels; developing an understanding about key departmental responsibilities; performance measurement system; compensation and benefits being provided, and the organizational culture.

This Report serves as one of the key deliverables for the project and forms an essential milestone for the development phase of the project. Additionally, through this Report an effort has been made to document the fundamental issues which if addressed adequately would have a positive impact on putting the country’s power sector on track for improvement.

B. Support Provided by NEPRA, HR Department

The compilation of this Report has been made possible as a result of valuable support provided by NEPRA through DG Technical, DG HR/A and other staff. Its role in facilitating data collection, providing a number of source documents, setting up meetings, interviews and focused group discussions is acknowledged. We would like to put on record our appreciation and gratitude to the NEPRA team in enabling us to complete this assignment within the specified time frame. We would also like to express our sincere gratitude to the Members of the Authority for encouraging a dialogue with PDP’s team by NEPRA’s senior managers and facilitating access to important documentation.

C. Limitations of the Report and Findings

There are some limitations associated with the overall scope of the project. For the purpose of clarity and to avoid any misunderstanding, these limitations have been stated in this section.

The primary focus of this assessment is limited to assessing the existing institutional capacity of NEPRA, a high level review of the NEPRA Act and NEPRA’s rules and regulations, assessing the existing organizational structure, development of the JDs, departmental profiles, performance evaluations system, and to conduct a study on compensation and benefits. However, there are many other factors that impact

the business processes and policy decisions, especially organizational behavior and overall culture which play an important part in governance and the overall effectiveness of an organization. Due to shortage of time, these areas have not been reviewed in depth or addressed /covered in this Report.

3. OVERVIEW AND SCOPE OF THE PROJECT

A. Scope of Work and Project Milestones

a. Organizational Assessment and Restructuring of NEPRA

This task covers organizational assessment and recommendations for a structure that reflects a vibrant and progressive corporate culture, in which management and staff embrace well-defined job functions, and where management understands and activates its defined role and authority. Changes in the organizational structure of NEPRA that have been introduced over the years; the current structure does not facilitate an active or sector-responsive operation; changes are required to improve its capacity to deliver. This will involve carrying out an organizational and functional analysis of NEPRA, and performing resource planning and staffing analysis to make sure NEPRA can play the role of an effective regulator of the power sector in Pakistan.

The Scope of Work for this task includes:

1. Proposed Organizational Structure: Evaluating NEPRA’s mandate and manner of implementing this, which will include a high-level review of the 1997 NEPRA Act and an assessment of the current organizational structure (modified to an extent in 2013); assessing and mapping the core regulatory and business processes of different functional departments and their correlation to the structure, including management hierarchy and reporting lines; evaluating the organizational structure and its alignment with organizational objectives/purpose; generating organizational structure models for improved performance, in line with assessed needs and international best practices. Evaluating NEPRA’s communications (internal and external) and identifying process and other gaps, will be achieved through interviews with NEPRA staff, but may also involve power distribution companies (DISCOs) and affiliate institutions engaged with NEPRA on a regular basis.
2. Core Business Processes / Departmental Profiles: As part of the organizational restructuring exercise, PDP will evaluate the core business functions and processes, develop refined profiles of the different functional departments, profiles and JDs of the key functionaries and heads of departments in line with best international practices.
3. Job Descriptions: In addition to departmental profiles and JDs of NPG and NEG staff, PDP will also develop and propose formats and key aspects of job profiles / JDs, as per best practices, and which will form the basis for NEPRA’s HR department to use and for other core positions. Further, PDP will train NEPRA’s HRD so they will have the internal capacity to develop job profiles of other staff as required.
4. Performance Management System: PDP will study the current performance management system, identify weaknesses and propose a system where employees are appraised according to their performance, and with a linkage between individual and company performance. It will be ensured that there is as a strong emphasis on transparency requirements throughout

the performance management cycle. In this connection, PDP will also propose formats for the performance management system, which will cover performance based evaluation and appraisals. The objective of the new system will be to provide guidelines for evaluating the performance of all employees of all NEPRA based upon agreed objectives and performance parameters covering all matters relating to performance evaluation. It will form the basis for promotions, increments and growth within the company for all employee categories.

5. Compensation & Benefits Study: Although a compensation and benefits study was initially included in the Work Plan, presented to NEPRA, this portion of the overall assignment will be undertaken through outsourcing. PDP's internal approval process will be initiated for this purpose.
6. Related Briefings / Trainings: PDP will arrange for workshops and training sessions to be conducted for the NEPRA management including HR and other relevant officials for a better understanding of departmental functions, job profiles and the performance-based evaluation system. The training and coaching will also ensure that the HR department is in a position to develop job profiles, implement PMS and other changes in the HRMS and not be dependent on any external resource.

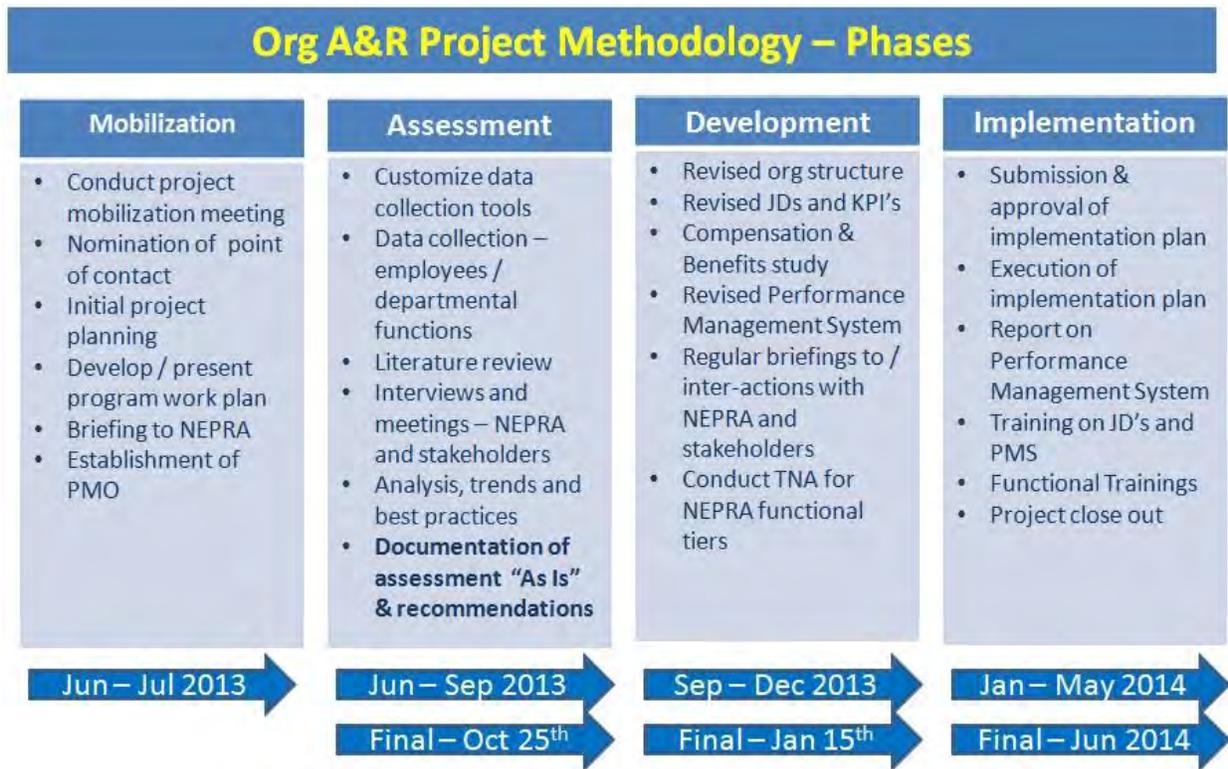
The assessment steps and methodology employed to complete this work involves:

- Evaluation of mission, vision and strategies; this will to a limited extent, involve a high-level review of the NEPRA Act, essentially to better understand the vision and key objectives of the organization
- Evaluation of current major business functions and processes
- Evaluation of existing organizational structure and departments
- Using assessment tools for data gathering, evaluation and analysis
- Assessment / consideration on the basis of international best practices and to undertake applicable structural changes relevant to NEPRA. With respect to best practices; PDP team has reviewed similar electric regulatory assessment projects undertaken through World Bank and USAID financing, and studies by renowned authors².
- Generating different models of organizational structures as options from amongst which NEPRA may chose
- Interaction with NEPRA's key staff (HR and other function heads) and PDP staff with in-depth knowledge of NEPRA – for ensuring that the analysis is carried out keeping NEPRA's service rules and legal mandate in mind
- Training / briefings / workshop on the various aspects of the assignment

² The two important studies which PDP team has utilized in carrying out this assessment are:

- a) Mary Clark Webster, November 2006, “*Energy Regulatory Authority Assessment Report*”, Mongolia Economic Policy Reform and Competitiveness Project, *Funded by USAID*.
- b) Ashley C. Brown, Jon Stern, and Bernard Tenenbaum with Defne Gencer, June 2006, “*Handbook for Evaluating Infrastructure Regulatory Systems*”, The World Bank Washington, D.C.

b. Project Time Line



4. APPROACH AND METHODOLOGY

A. Key Information & Document Collection

PDP began working on the NEPRA project in June 2013 and conducted meetings with senior NEPRA officials regarding scope of the project and work to be done. The most significant achievement during this phase was that PDP team was able to obtain the support and commitment of NEPRA senior management. This is evidenced by the fact that a Work Plan, reflecting detailed steps of this assignment, was presented to and approved by the Authority. **See Annexure-1.**

During these meetings key information regarding the current challenges faced by NEPRA with respect to the changing dynamics of the market were identified. In parallel to this, the PDP team developed questionnaires to retrieve critical information and data regarding the organizational structure, departmental profiles, key position profiles and members’ responsibilities. The responses received by PDP form an essential input in the analysis and assessment exercise that was conducted.

Additionally, the PDP team, reviewed various important documents relevant to the working of NEPRA, including amongst others the 1992 Strategic Plan, the NEPRA Act, Rules and Regulations, performance standards, etc. These documents have helped the team in understanding NEPRA’s existence, vision, mission and existing work culture while providing an opportunity for a comparison with international best practices.

Some of the tools used were:

- One-on-One Interviews
- Focus Group Discussions
- Position Description Questionnaire (PDQs)
- Members Questionnaire (MQs)
- Departmental Profile Questionnaire (DPQs)

B. One-on-One Interviews

In order to assess the organizational culture, functional working and regulatory systems PDP team conducted several one-on-one Interviews with the senior managers from different departments. A list of senior managers interviewed can be reviewed under **Annexure-2**.

The interviews were primarily focused on understanding the departmental and organizational structure and its functions, working of organization and its structure, decision-making processes, HR-related policies and procedures, communications structure, performance management systems, Job Descriptions (JDs), etc.

The key findings of the PDP team from these meetings are presented below:

- **Centralized Decision Making – The Authority**
PDP learned that almost all decision-making powers rest with the Authority, which makes NEPRA’s governance structure highly centralized. The members are appointed by the Government; however, requirements ought to be in accordance with the Act. To carry out their duties, a usual practice for the Authority is to bring along advisors usually to fill in gaps but often they have been found to be working in parallel to the existing senior managers.
- **Organizational Structure – Hierarchical Point of View**
Existing state of organizational structure is not clearly defined and as one of the interviewees put it, “The chain of command is broken”. This is evident from the day to day operations. Certain important hierarchical positions are overlooked in assigning the tasks, and the roles of the hierarchy are duplicated, e.g., there are instances where assignments are given to staff without the knowledge of their supervisors.
- **Human Resources Rules and Procedures – NEPRA Service Rules (NSR)**
Senior managers have expressed reservations regarding implementation of the NEPRA Service Rules (NSR), pertaining to the performance management system; the often repeated remark has been that there is no distinction between performers and non-performers. The NSR is structured but NEPRA employees need an employee friendly and easily accessible Employees Hand book, specially designed for employees to provide them with accurate and immediate information and the do’s and don’ts of NEPRA’s key HR policies and procedures.
- **Human Resources – Competency**
Generally the competency level of the staff particularly of the senior management is fairly high. However, some concerns have been expressed by management regarding the

competence of middle and lower management. To address this issue, a high performance work system needs to be introduced.

- **Human Resources – Key Performance Indicators**

It has been observed that the Key Performance Indicators (KPIs) for the departments and for the individuals are missing. Senior managers have expressed their concern on the legacy performance evaluation templates and expressed their reservations regarding the performance objectives, etc.

- **Human Resources – Job Description**

While a limited number of JDs are available, the ones we reviewed were found to be largely incomplete, and were more “terms of reference”; rather than proper JDs. The job purpose and a number of other standard and accepted JD practices and components (such as qualification, key competency) are either missing or not stated properly.

- **Communication**

Although the necessary information technology infrastructure is in place at NEPRA, it is not being utilized to its full potential. A routine manual file work is in full practice. PDP has established that the intra-organization and inter-departmental communication is quite weak and relies heavily on the legacy system, such as manual office circulars and memorandums which are delivered individually to concerned personnel.

- **Organizational Culture**

PDP observed that though NEPRA is a relatively new organization, its practices, mindset, and general approach to work and the overall working culture and atmosphere at large on par with any governmental or public sector set-up.

It is worth mentioning that recent move to a single location will help in team building, consolidation of resources. Furthermore, incorporating a performance based system, having clear objectives, responsibilities and accountabilities will aid NEPRA to further enhance their efficiency.

C. Focus Group Discussion

To ascertain views from a wider segment of NEPRA employees working at middle management level; a comprehensive focus group discussion was conducted by the PDP team. The discussion included employees from all departments of NEPRA. This portrayed a true picture regarding key responsibilities, department functions, support of the functions provided in the Act, communication channels, challenges and issues, and their point of view regarding the overall activity being conducted by PDP team. A list of participants is provided under **Annexure-3**.

In this discussion, two activities and an “open house” were conducted to better understand the core functions of NEPRA, and to further assist in analyzing the functional training needs of the departments.

Activity-1:**Departmental Functions Identification:**

The participants were given an opportunity to map their departmental functions. They provided detailed information which helped PDP in analyzing the organizational / departmental functions, gaps and areas to be improved.

Activity-2:**Brief Training Needs Analysis:**

The participants were requested to provide and prioritize key functional trainings which they considered essential for the efficient working of their respective functional area. This activity was extremely useful in identification of NEPRAs functional training requirements.

Open House Discussion:

The open-house discussion provided valuable feedback on the organizational structure, alignment of regulatory functions, department functions, recruitment, inter- department issues, compensation and benefits, performance management system, communication, etc.

D. Position Description Questionnaire

The Position Description Questionnaire (PDQ) is a customized tool designed by PDP to aide in conducting job analysis and preparing job profiles. It captures the relevant information and job content of each position, which forms the central basis for analyzing and formulating a job profile. The PDQ facilitates capturing all job factors and is instrumental in identifying the job specifications for selected positions. The tool was administered during the assessment phase of the project. In the development phase, these PDQs will be used aggressively in the one-on-one sessions with the employees to develop their JDs. A PDQ sample is attached in **Annexure-4**.

E. Members Questionnaire

The Members Questionnaire (MQ) is designed specifically to understand corporate challenges specifically relating to the Authority; it identifies the mission, vision, and organizational response. MQs also cater to different subjects such as job descriptions, compensation & benefits, and trainings. The purpose was to understand NEPRA as a whole and understand its functions at the strategic level. An MQ sample is attached in **Annexure-5**.

F. Departmental Profile Questionnaire

Departmental Profile Questionnaires (DPQs) were used to assess the effectiveness of NEPRA’s key departments. Additionally, the tool helped PDP in assessing the difference in the mindset and approach of NEPRA’s senior managers. This tool provided important information / data which facilitated in assessing the organization as a whole. A DPQ sample is attached in **Annexure-6**.

The following was observed while assessing DPQs:

- The majority of managers have failed to adequately comment on the goals and objectives of their departments, and have often confused the department’s vision and mission with that of the overall organizations.
- Departmental business processes and workflows were not recorded and provided as requested in the questionnaire.
- No departmental KPIs are in place
- PDP has observed that a useful starting point would be to have available a skill set for each department, being a necessary component of a job profile/job descriptions
- There are no company/department sponsored events for employees
- There is no company-wide training and staff development plan or strategy which is essential for an ever-changing corporate environment
- All departments have identified that they are under-resourced and over worked

5. REVIEW AND ANALYSIS

A. Organizational Assessment

Based on the information gathered by the activities discussed in the preceding section, PDP has reviewed the organizational strength and weaknesses of the regulatory practices, rules, regulations and policies at NEPRA.

	NEPRA Act/Service Rules Requirement	Best Practices Requirement	Requirement vs Current Organization
Regulatory Framework	(a) Grant licenses for generation, transmission and distribution of electric power; (b) Prescribe procedures and standards for investment programs by generation, transmission and distribution companies; (c) Prescribe and enforce performance standards for generation, transmission and distribution companies; (d) Establish a uniform system of accounts by generation, transmission and distribution companies; (e) Prescribe fees including fees for grant of licenses and renewal thereof; (f) Prescribe fines for contravention of the provisions of this Act; (g) Review its orders, decision or determinations; (h) Settle disputes between the licensees; (i) issue guidelines and standards operating procedures; and (j) Perform any other function which is incidental or consequential to any of the aforesaid functions.	Key Functions³ ✓ Issuing licenses related to regulatory functions ✓ Setting performance standards ✓ Monitoring the performance of regulated firms ✓ Establishing the level and structure of tariffs ✓ Establishing a uniform accounting system; ✓ Arbitrating disputes among stakeholders;	✓ Requirement met ✓ Requirement met ✓ NEPRA to improve monitoring the performance of the regulated firms ✓ Requirement met
		✓ Performing management audits on regulated firms ✓ Reporting sector and activities to the appropriate government authority	✓ Requirement met ✓ NEPRA is not actively involved in settling disputes between regulated entities. NEPRA needs to activate its dispute resolution mechanism by making it accessible and effective. This reduce the load on the regular judicial system, hence resolution of disputes by sector specialist ✓ Requirement not met ✓ Requirement met

³ X. Lemarie, G. Owen et al (2005) , *Training Manual; Sustainable energy regulation and policymaking for Africa*, Module 5. Project funded by UNIDO & REEP.

			<p>Missing Functions:</p> <ul style="list-style-type: none"> ✓ NEPRA has prescribed most of the requisite rules and regulation except the procedures and standards relating to investment programs by generation, transmission and distribution companies ✓ NEPRA, though not required to resort to micro management of power companies, however, a broad level monitoring of organizational affairs of generation, transmission and distribution companies is required ✓ NEPRA Act reveals that current organizational functions are partially in adherence to international best practices of the regulatory bodies
Autonomy	<ul style="list-style-type: none"> ✓ NEPRA is constituted as an autonomous organization 	<ul style="list-style-type: none"> ✓ The regulator should be completely autonomous 	<ul style="list-style-type: none"> ✓ NEPRA is partially autonomous in terms of financial and operational matters; however it still needs approvals from the Cabinet Division on several matters
Operational Structure	<ul style="list-style-type: none"> ✓ Currently, NEPRA is characterized as multi member / commissioners organization headed by a chairman. Currently the chairman seat is vacant hence one of the members is designated as the “acting chairman”. ✓ In the current organizational structure the members are directly involved in the NEPRA’s routine operations. In other 	<p>Researchers⁴ have defined three types of operational Structures for Regulatory Bodies.</p> <p>Type 1: Multi-member commission headed by the chairman and members concentrate on decision-making, while the professional preparatory work and due-diligence effort is done under the supervision of an appointed executive director.</p> <p>Type II: Individual member’s reports to the</p>	<ul style="list-style-type: none"> ✓ NEPRA is placed in the organization categorized as Type II. NEPRA currently is following one of the established best practices regarding the organizational structures of the regulatory bodies. The members should be technically qualified/competent. ✓ Examples from both local and international practices are available to

⁴ S. V. Berg, A. N. Memon, R. Skelton, *Designing an Independent Regulatory Commission*, Public Research Utility Center, and University of Florida.

	words, they have hands-on strategic roles, and at the same time are heading the individual key functional departments e.g. tariff, licensing etc.	Chairman. However members have hands-on managerial roles, and head the individual functional departments. Type III: An external consultation committee can be incorporated to Type I & II organizational structures.	further improve the structure.
Vision /Business Strategy	✓ Specific vision statement is not present	✓ Vision statement is an integral part of the business strategy	✓ Vision statement is required
Mission	✓ Mission statement available on the website	✓ Mission statement is an important tool for governance	✓ Mission statement is present; but not communicated down the line and its impact on the department targets is missing
Values	✓ NEPRA Act and NEPRA Service Rules do not specifically outline organizational values.	✓ Values are key set attributes that define an organization. Research ⁵ shows that regulatory bodies can have a set of values from following: <ul style="list-style-type: none"> • Communication • Consultation • Consistency • Predictability • Flexibility • Independence • Effectiveness and efficiency • Accountability • Transparency 	✓ A values based environment needs to be inculcated in the current organizational culture
Communication of Decisions	✓ The act has provisions regarding protecting the interest of the stakeholders including the consumers, suppliers etc..	✓ Extent to which regulatory decisions are published and the speed at which the information regarding the different activities	✓ Currently, NEPRA decisions are advertised on the website and through newspapers. A comprehensive system of cataloguing all

⁵ Australian Regulatory Forum (1999), www.accc.gov.au

		<p>of the regulatory body reach the concerned stake holders is one of the characteristics⁶ of an efficient regulatory body.</p>	<p>decisions must be put in place.</p> <ul style="list-style-type: none"> ✓ Internal communication mostly is done in paper form; for improved controlling, accessibility, monitoring, and reporting, a serious consideration should be given to electronic format.
<p>Stream line Functional Areas</p>	<ul style="list-style-type: none"> ✓ Act does not bind the organization to a specific structure/hierarchy. ✓ The key decision making is with the Authority and certain financial and administrative powers are delegated to DGs and Directors 	<ul style="list-style-type: none"> ✓ As per existing practices, organizational structures can reflect the key functional areas of the business. However it must be ensured that functions are placed and reported on the basis of their functionalities. ✓ Best practices denounces from creation of “functional silos”⁷ as it impact the overall efficiency of the organization. 	<ul style="list-style-type: none"> ✓ Different functional departments are placed in a very complex manner, in which key support and technical departments are combined in a similar structure. For example M&E department constitutes Standards, M&E, Privatization and MIS and the departments report to one member who is looking after both M&E and Licensing ✓ Existing structure is characterized as functional silos as the official channel of communication is partially broken.

Table 1: Strengths and Weaknesses of NEPRA

⁶ African Forum for Utility Regulators (AFUR) at its 2nd Annual Conference (March 2005, Kampala, Uganda)

⁷ Process Driven. Retrieved September 23, 2013, from <http://processdriven.livejournal.com/923.html>

B. Evaluation of Regulatory Effectiveness

A useful reference point for comparing NEPRA’s current operations and practices against international best practices is a landmark study by Jon Stern and Steve Holder of the London Business School⁸. The study gives criteria for assessing the effectiveness of electricity regulatory agencies. The criteria⁹ have six categories¹⁰ and sub-categories, as follows:

1. Clarity of roles and objectives
2. Autonomy of the regulator
3. Public participation
4. Accountability of the regulator
5. Transparency of the process
6. Predictability of outcomes

NEPRA has accomplished much in its 16 years since inception. While the PDP team acknowledges and appreciates NEPRA’s efforts in this period to have developed different regulatory parameters, a critique is, nonetheless, important. This is for the reason so areas for improvement can be identified in line with the best practices currently in place in well-functioning regulators.

Using the above criteria as determining factors, responses to a number of key questions were received from a host of NEPRA staff, covering mostly senior and mid-level management; this assessment is based on interaction with NEPRA staff and the team’s professional opinion; outside stakeholders were not consulted. The final total score (of 2.8 ranging between Fair and Good) gives a general indication of the organization’s regulatory performance.

The table below reveals both strong and weak points of NEPRA as a regulator. Clarity of goals, autonomy and accountability are strong areas whereas, public participation followed by transparency and predictability/credibility are the areas where NEPRA can channelize its resources to further improve its role as an effective regulator.

⁸ Stern, Jon and Steve Holder, “*Measures of Effective Regulation*”, World Bank, March, 1999.

⁹ The same criterion has been used by Mary Clark Webster while Evaluating Mongolia’s Energy Regulatory Assessment Report, during a project funded by USAID in 2006.

¹⁰ The categories are part of “Ten Key Principles for the Independent Regulator Model of Regulatory Governance” outlined in World Bank published “Handbook for Evaluating Infrastructure Regulatory Systems”, in 2006.

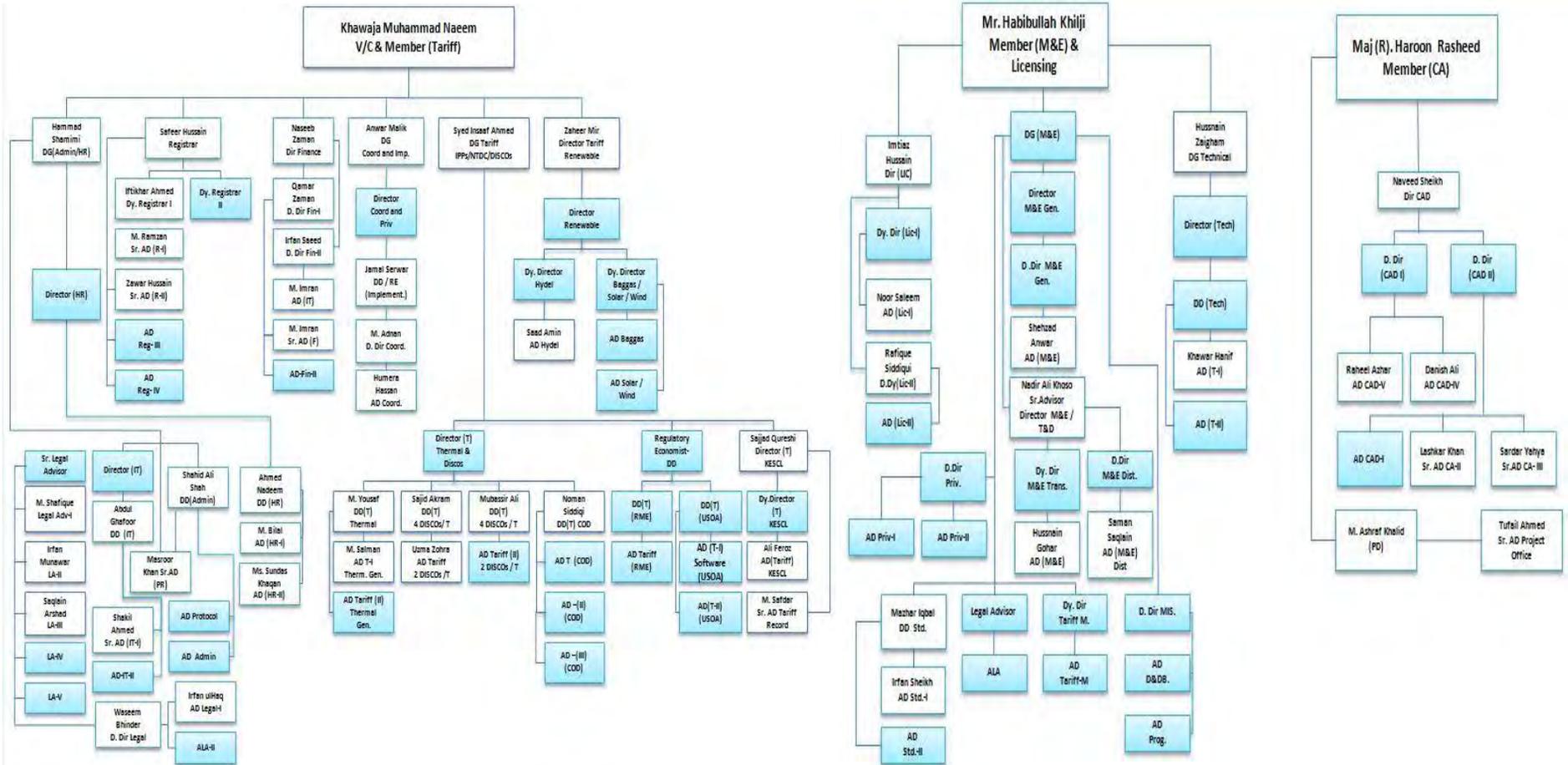
5=Excellent, 4=Very Good, 3=Good, 2=Fair, 1=Poor and 0=Failure

Indicator	Sub Indicator	Score	Average
Clarity of Goals	Does the primary legislation clearly define NEPRA’s functions and duties?	4	3.1
	Is NEPRA clearly responsible for regulating licensed companies or are there any functions carried out jointly, or any that are ambiguous, between NEPRA and those of the relevant Ministries?	3	
	Is it clear what the role of the Ministries is and what the role of NEPRA is? Is there political interference?	2.5	
	Are appointment and dismissal clearly stated in the law? Is there political interference?	3	
Autonomy	Are the members of NEPRA appointed by the Prime Minister and only dismissed by law?	4	3.3
	Does NEPRA have independent financing over which it has sole control?	3	
	Can NEPRA issue decisions on tariffs or licenses without effective intervention from the ministries or Parliament?	3	
Public Participation	Does NEPRA formally involve regulated firms, other industry firms, consumers and others on major decisions?	2.5	2.7
	Are consultation responses made public (either in full or in a summary of responses)?	3	
	Does NEPRA offer opportunities for public hearings on key issues such as tariffs and licenses?	2.5	
Accountability	Is NEPRA accountable for carrying out regulatory activities (government, parliament, courts etc.?)	3	3.5
	Does NEPRA file reports with elected officials regarding performance of the regulatory body?	4	
	Is there a facility for judicial review under primary law?	4	
	Is there a formal mechanism for regulated firms to challenge regulatory decisions?	3	
Transparency	Are major regulatory documents (e.g. licenses) in the public domain?	3	2.5
	Does NEPRA publish major decisions (or advice)?	4	
	Does NEPRA implement performance standards in distribution, generation and transmission companies?	1.5	
	Does NEPRA approve the organizational affairs of distribution, generation and transmission companies?	1.5	
Predictability / Credibility	To what extent are regulatory principles (on Tariffs, licenses, customer service) set out formally and publicly?	3	2
	Does NEPRA follow their published methodologies and past precedence or are there frequent changes in personnel and direction?	2	
	Is there a published timetable of regulatory events every year?	2	
	Does NEPRA implement investment standards?	1	
Average Score		2.8	

Table 2: Evaluation of NERPA's Regulatory Effectiveness

C. Organization Structure

a. The Current Organizational Structure



b. As Is Core Functions of NEPRA’s Departments/Sections

TECHNICAL	LICENSING	TARIFF	M&E	REGISTRAR
<ul style="list-style-type: none"> • R&D for tariff-related technical issues. • Benchmarking. • Review of tariff petitions from generation, transmission and distribution companies • R&D of rules and regulations • Generation of annual report • Deal with donors i.e. USAID, World Bank, ADB and PPIB • Tasks assigned by NEPRA Authority • Project construction • Development of industry reports 	<ul style="list-style-type: none"> • Processing of applications for grant of different licenses (i.e. generation, transmission & distribution) • Processing of applications of licensee proposed modifications (LPMs) • Authority Proposed Modifications (APMs) • Reporting to the Authority / meeting with the Authority (about 200 meetings/reports in a year) 	<ul style="list-style-type: none"> • Tariff determination • Communication of notice to all stakeholders • Conducting hearings • Gathering of information • Analysis / findings / recommendations along with case officer report for consideration of Authority 	<ul style="list-style-type: none"> • Monitoring of licenses • Compliance on directives of Authority • Enforcement activities • Information gathering and analysis • Protection of consumer rights • Improvement in performance of generation, transmission, and distribution companies 	<ul style="list-style-type: none"> • Custodian of the seal of the Authority • To file / accept tariff/license applications/ appeals etc. • Scrutiny of tariff petition, license applications, etc. • Gateway for outside organizations, stakeholders applicants, consumers • To issue authority’s orders / decisions / determination • Verifying of notifications of monthly fund adjustments, etc • Government liaison, correspondence with all government organizations

COORDINATION	CONSUMER AFFAIRS	STANDARDS	HR/A	FINANCE
<ul style="list-style-type: none"> • Coordinating Authority meetings • Minutes of meeting recording / finalization and circulation • Enforcement for implementation of the Authority’s decision(s) • Maintenance of database • Liaison with the government 	<ul style="list-style-type: none"> • Consumer complaint handling • Resolution of disputes between DISCOs, consumers and other licensees • Ensuring implementation of NEPRA’s orders, rules and regulations by DISCOs • Consumer satisfaction 	<ul style="list-style-type: none"> • Development of standards for generation, transmission, and distribution licensees • Development of codes of conduct for all type of licensees • Implementation of standards and code of conduct • Monitoring standards and code of conduct • Analyzing annually and quarterly performance of all type of licensees • Ensure the reporting of licensees as per prescribed standards and code of conduct • Verification and physically check the data / information submitted by licensees 	<ul style="list-style-type: none"> • Workforce management • Attendance • Policy matters / service regulations • Transfer/postings • Recruitment / internships/contracts • Terminations / disciplinary actions • Correspondence with cabinet division • Record management / ACRs • Trainings • Organizational re-structuring • Employee grievance handling • Continuous employee data up gradation / HRMS • Procurement • Hiring of buildings for offices / member houses • Repair and maintenance • Vehicles/Transportation & Logistics • Security 	<ul style="list-style-type: none"> • Budgeting • Payments • Receipts (Licensing Fee) • Internal Audit • Management of statutory and external audit • Uniform System of Accounts • Taxation • Cash management and payroll • Initial data entry to financial reports • Gap compliance in financial reports • Management of employee provident fund and gratuity fund • Group life insurance • Fixed assets • Monthly reconciliation statements

IT	LEGAL	PROTOCOL
<ul style="list-style-type: none"> • Information systems planning • Responsible for operation and maintenance of Oracle system • LAN/WAN management, repair, maintenance, and software upgrades including backups and data recovery tools, remote server management, MS SharePoint, MS Office, MS Server etc. • Perform day to day troubleshooting operations on LAN/WAN systems including both hardware and software issues • Email Server Management • Liaison with ISP and other computer vendors • Website management and electronic database management of regulatory issues 	<ul style="list-style-type: none"> • Provide legal assistance to the Authority in light of NERPA Act, Rules & Regulations in dealing with applications, petitions etc., and assist authority in balancing conflict of interests of various stakeholders • Render legal opinion on consumer complaints, tariff petitions, licenses, court cases involving NEPRA and other matters as delegated by Authority. • Develop legal reports and analysis on policy documents received from different agencies and presentation to authority • Review of legal provisions complementing NEPRA Act and rules and regulations • Preparation and examination of legal opinion in respect of affairs of power sector and handling of civil litigation, corporate matters, financial agreements and investment agreements 	<ul style="list-style-type: none"> • Arrange special meetings and conferences and ensure presence of nominated person in both local and international conferences etc. • Facilitate visit of officials, holding ceremonies and events etc. • Responsible for arranging boarding/lodging for guests/officials including visa arrangements, air ticketing, hotel reservation, air port related issues etc. • Responsible for publishing advertisement for stakeholders in daily newspapers for hearings, licenses, and publishing state of industry and annual reports etc. • Payment of advertisement/rent a car, hotel bills i.e., different costs related to logistics arrangements and publications; related to different events etc.

D. Analysis on the Current Structure and Functions

In the current structure there are three members managing four major functions: Tariff, M&E, Licensing, and Consumer Affairs. The members are overloaded with multiple responsibilities which create delays in effective and timely decision-making. NEPRA needs to have a full time Chairman as well as the fourth member in place immediately. This is necessary so that there is a fully functional Authority and the regulatory functions are streamlined. The current organizational structure of NEPRA has been created to cater to the functions prescribed in the NEPRA Act, however NEPRA does not enforce the functions mandated (such as effective monitoring and enforcement of performance standards and standards for investment programs) and necessary for the regulatory regime with dynamic and changing power market and technological advances.

In some cases, super-ordinate and subordinate are both in the same grade (NPG-4) as compared to market practice of their being at least one grade difference between the two grades. In some cases senior Assistant Directors and Assistant Directors are equally placed in NPG-3 grade. Another example shows that Assistant Directors from professional grade and Accounts Officers are both in NPG-1; these positions should be separately graded.

There are six senior directors reporting to the Member Tariff. This results in a heavy reporting burden in terms of number of managers reporting to one person and effective task implementation and decision making. DG Coordination and Implementation is reporting the Vice Chairman he should preferably be reporting to the entire top tier for effective coordination of the organization.

HR, Admin, IT, Coordination and Implementation, Registrar and Finance functions can be coupled in one services group for effective consolidation of these major functions. In organizational structure Legal and IT department are shown as separate departments/sections. However staff in these departments are reporting to different functional heads, e.g., Legal Advisor who is the part of the Legal team but is reporting to Member Licensing as he is attached to that department. Previously; there was also a section related to Protocol and Public Relations, headed by a director. However, now it has been attached to Administration department.

The Technical Department which has a major role in implementing regulatory practices is severely under-resourced and the assessment shows that they should be horizontally aligned with the Tariff Department. This action will ensure effectiveness of tariff determination process. Currently the privatization function is not properly aligned and is under M&E, which is already burdened. Effectiveness will increase if the M&E, Standards and Technical functions are coupled together to ensure coordination, management and implementation of regulatory standards in generation, transmission and distribution companies.

In NEPRA, the IT Department is quite dysfunctional and is not utilized at the enterprise level. The IT DDs and ADs are reporting to multiple functions. This can be consolidated by creating a separate function in the overall services department. Overall the reporting lines are not workable and the chain of command is broken. The current organizational structure of NEPRA is not adequate to implement core regulatory functions. An extensive study on the organizational structure will be conducted and PDP will propose new models based on best practices, which will be in line with the strategic plan and the NEPRA Act.

Organizational Structure Layers:

The existing NEPRA organizational structure is multilayered which starts from the Chairman at the top and the functional worker at the bottom. PDP was provided with the organizational structure which presents the information at the officer levels, i.e., NPG 1 and above only which constitutes 30% of the total manpower. Upon analysis it was revealed that this 30% staff is arranged in seven different layers. Expectantly, there will be a number of additional layers when the remaining 70% are considered. Internationally, the recommended layers for complete organization are equal to or less than seven. Peter Drucker¹¹ recommends having a maximum of seven layers while Tom Peters¹¹ recommends only five.

In other words, NEPRA’s organizational structure can be termed as “tall”, which is suitable for routine work. However, such a structure is not feasible for departments and organizations which undertake constant decision-making and planning activities.

E. Vision and Internal Communication

The mission statement is in place but the vision is not explicitly pronounced in relation to the strategic plan and the NEPRA Act. Internal communication is based on legacy systems and manual communication is in place. NEPRA needs to employ an effective information communication tool to interact with internal and external stakeholders

F. Corporate Identity

NEPRA’s prevailing identity is that it is the national electric power regulator responsible for providing licenses, tariff determination and also has powers to impose penalties etc. Corporate identity helps businesses in presenting their organization, services, and activities or in other words builds the corporate image to all concerned stake holders. A number of corporate business cards were observed, all having different formats which clearly indicated that NEPRA requires a strong corporate communications strategy.

As mentioned earlier in the Report, NEPRA does have a mission statement but there is an absence of a vision statement. Similarly, a well-defined set of values which constitute an integral part of its identity is required. However, NEPRA does have a corporate logo as shown below which the management uses aggressively in displaying its identity, which is appreciable.



G. Corporate Communications

Given the advancement of technology and available resources in the country, NEPRA can improve its corporate communications by adapting market’s best practices. Most of NEPRA’s external communications is through newspapers in the form of news clippings, articles and advertisements. The

¹¹ Alicia Bugarin, *Flattening Organizations: Practices and Standard*. California Research Bureau, California State Library, September 1997 retrieved September 2013, from <http://www.library.ca.gov/crb/97/04/97004.pdf>.

regulatory matter communication is performed by the Registrar; for instance hearing notices, tariff settings, public complaints and drafts/regulations for policy, etc.

NEPRA’s efforts are commendable with respect to corporate communication, but they are not up to the mark when compared with the best regulators in the region. In particular, there is no archive regarding the newspaper advertisement on the website, information about media releases, newsletters (the most current newsletter shown on the website is of Jan 2010), special events carried out, speeches made by the Authority, etc. Similarly social media is not being effectively used in corporate communications, surprising given that energy is the nation’s major concern and consumer rights are a top priority.

Even though NEPRA does have an email server, it is not being utilized effectively. The team has verified that employees continue to use Google’s Gmail and Microsoft’s Hotmail services for their official communications, which is contrary to best practices as the information is prone to be compromised and there is no official record.

H. Manpower Analysis

Human capital has been recognized as a key factor impacting the overall performance of an organization, its reputation and overall outlook. In this section of the Report, the state of NEPRA’s current human capital has been described. Various numerical analyses have been conducted on the manpower data obtained by the PDP team. The analyses provide a functional and strategic view of the human resources of NEPRA, their composition broken by gender, employment, age, scale, educational qualification and length of service, etc..

a. Total Employees and Employment Type

NEPRA has a total strength of 228 employees who are broadly categorized into 1) Contractual, 2) Deputation, and 3) Regular Employees. Each term refers to the employment mode of an employee in the company.

Regular Employees: These are full-time employees and are paid directly by their employer. In addition to their wages, they often receive benefits like subsidized health-care, paid vacations, holidays, sick time, and contributions to a retirement plan.

Contractual Employees: The service of these employees is for a limited duration based on their contract. They are not eligible for benefits.

Employee on Deputation: Other than regular and contractual employees, NEPRA has some employees on deputation, i.e., they belong to other government institutions such as the Ministry of Water & Power and are deputed to NEPRA for a specific time and assignments.

Employee Category	No. of Employees	% of Total
Regular	186	81.6%
Contractor	35	15.4%
Deputation	7	3.1%
Total	228	100%

Table 3: Employment Type Distribution of Manpower

Employment Type Analysis

From the table above, it is clear that the majority work-force has a permanent position with NEPRA. Given the socio-economic situation, the incentive of having a permanent nature job is a very significant attribute for NEPRA as a potential talent seeker.

However, there is another aspect to it; particularly due to the limitations in NSR; where there is no distinction in performers and non-performers, there is high tendency to be stagnant and unproductive, while enjoying the luxury of being paid a regulator’s pay and enjoying the benefits that stem out of it. Furthermore, most of these regular employees have general qualification like BA or MA, while in comparison 13 officers out of 35 contractual employees have professional qualification but lack job security though their counterparts have permanent jobs, but are less qualified.

b. Scale Employees Break Up

The section gives a breakdown of the employees by the level of employment / scale.

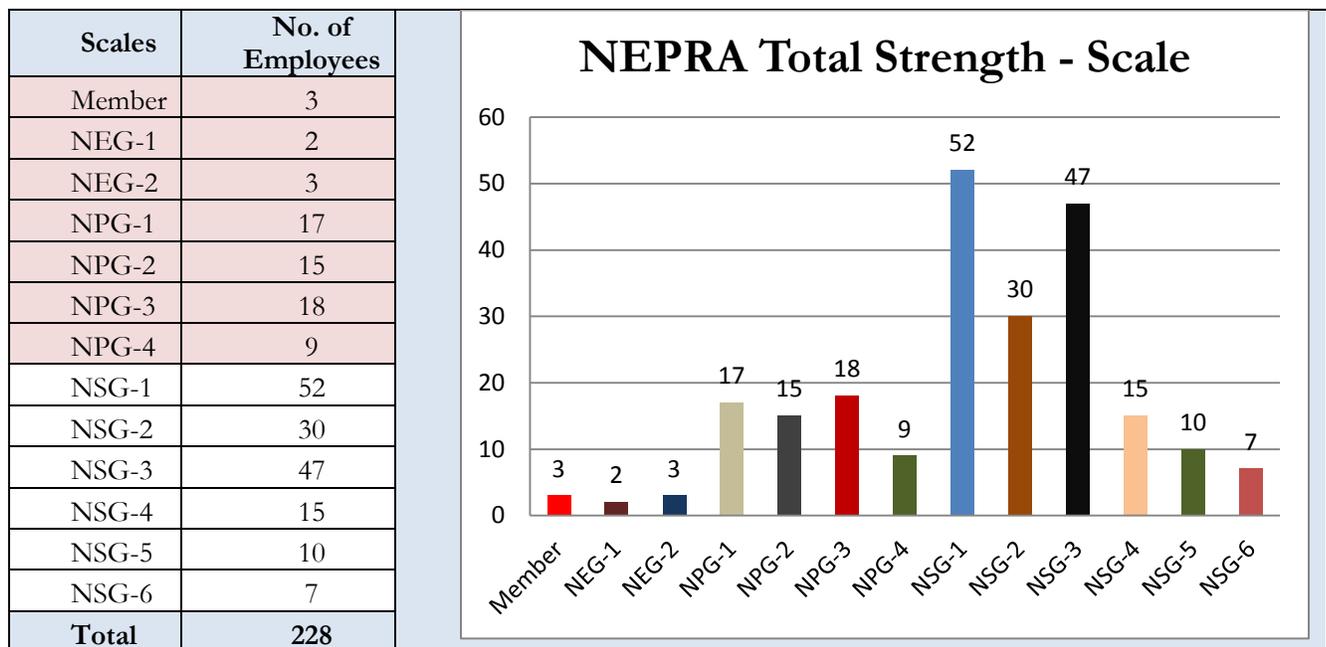


Chart 1: Scale Employees Break Up

Scale Analysis:

The officers / Authority categories consist of Members, NEG 1 & 2, and NPG 1, 2, 3, & 4 constitutes 67 employees or 29% of the total manpower, while the remaining 161 or 71% constitute the staff grade. The top three occupied scales are NSG 1, 2 and 3 with a total of 129 employees or 57% of the total strength placed in these three categories.

c. Distribution of Manpower by Age

The section discusses the human capital of NEPRA with respect to an important demographic factor, the age of employees. The total strength of NEPRA is placed in five age groups, which are depicted below.

Age Group	No. of Employees	% of Total
18-30	51	22%
31-40	91	40%
41-50	54	24%
51-60	27	12%
Over 60	5	2%
Total	228	100%

Table 4: Distribution of Manpower by Age

Analysis of Distribution of Manpower by Age:

The chart above presents a very healthy outlook of NEPRA as an organization and sustainability, with 62% of total human capital being either at or below the age of 40 years. Provided that appropriate measures are taken, NEPRA can transform its manpower into a vibrant resource by investing in their professional and management skills, which will assist NEPRA to improve its performance and make it able to deliver as per its mandate.

d. Distribution of Human Capital by Qualification

This section discusses the existing educational level of the available human capital at NEPRA. The professional qualification group including employees with CA, ACMA, Engineering, Computer Sciences and professional degrees in their respective field constitute 29% of total human capital. However, given the requirements of the regulatory organization and best practices around the world a regulatory body must comprise of manpower having professional degrees in their respective field which are in line with the regulator’s functions.

This particularly becomes important if NEPRA is compared with other organizations operating in the public sector, and it is clearly evident that an employee possessing BA and MA degree is being compensated more. This is against the norm of the modern corporate culture and results in employee demotivation.

Qualification	No. of Employees	% Share
Illiterate	1	0.44%
Primary	13	5.70%
Middle	32	14.04%
Matriculation	32	14.04%
Diploma	4	1.75%
Intermediate	16	7.02%
Graduation (BA, B.Sc, B.Com, B. Tech etc.)	41	17.98%
Post Graduation (MA, M.Sc, etc.)	22	9.65%
Professional ¹² Qualification	67	29.39%

Table 5: Distribution of Human Capital by Qualification

¹² Professional Qualification refers to qualifications in their respective fields, e.g. ACMA, CMA, CIMA, CA; as well as LL.M, Bachelors in Engineering, Computer Sciences, IT; MBA and MS etc

e. Age / Length of Service Analysis:

- **Employees by Age and Seniority Analysis – Opportunities & Threats:** Twelve percent of NEPRA’s workforce is between 51 to 60 years of age; at least half of this group is nearing retirement. These are management positions and are critical for successful operations, and accordingly there must be succession planning in place. This planning will be useful to identify and foster the next generation of leaders through mentoring, training and stretch assignments, so they are able to take the helm when the time comes.

Overall 62% of NEPRA’s human capital falls in the age bracket of 40 or less. This demographic distribution provides NEPRA with an excellent opportunity to invest into, develop and fine tune them into vibrant and dynamic business resources. Furthermore, the use of technology and different computer based applications can be introduced to them for effective business process improvement and productivity.

Age and Length of Service Comparison

Age Group	Length of Service – Years				Total
	0 to 5	6 to 10	16 & Above	11 to 15	
18-30	42	9			51
31-40	39	30	3	19	91
41-50	10	15	4	25	54
51-60	3	6	4	14	27
Over 60	5				5
Total	99	60	11	58	228

Table 6: Age and Length of Service Comparison

f. Gender Analysis

Women are underrepresented in NEPRA which is evident from the graph given below. Women constitute four percent of existing manpower while men comprise of 96%. The situation is even more alarming considering the fact that NEPRA is located in the capital of Pakistan, housing educational institutes producing quality women professionals in the market each year and about 51% of Pakistan’s overall population comprises of women.

Gender	No. of Employees	Percentage of Total
Female	10	04%
Male	218	96%
Total	228	

Table 7: Distribution of Manpower by Gender

Furthermore, out of 10 women working in NEPRA only four percent are in NPG while the rest are in NSG grades. Out of these four percent are regular while the other half comprises of contract officer and an officer on deputation.

I. HR Practices

NEPRA is a semi-independent entity and based on the one-on-one interviews PDP conducted, NEPRA is not facing any interference from the government or its allied entities on the surface. However, the

Members, Chairman and Vice Chairman are selected or appointed by the government and the impact of this decision is cascaded downwards. Members are involved in routine functions of NEPRA, like recruitment, termination and promotions, etc., rather than being restricted to strategic planning or top level policy making and decisions.

Lack of empowerment: Senior management of NEPRA lack proper empowerment as they are completely dependent on the Authority for almost all actions and decision making, even when these relate to their respective departments. Departmental heads, for instance, need to be empowered enough to take decisions on their regular routine activities, such as Director General HR/A should be fully responsible for his department, i.e., HR policy making, procedural development, manpower planning and recruitment, etc.. Delegation of authorities, administrative and financial, needs to be established to reduce the burden on Authority, so they can spend more time on strategy and policy matters.

Lack of priority in formal business planning: The formal long-term business strategy or plan at NEPRA is not given sufficient priority, thus, negatively impacting the effectiveness of overall business planning and governance. There is very little business direction or strategic focus available to the top-line management to pursue and implement, and a large chunk of their time is consumed in operational or administrative matters.

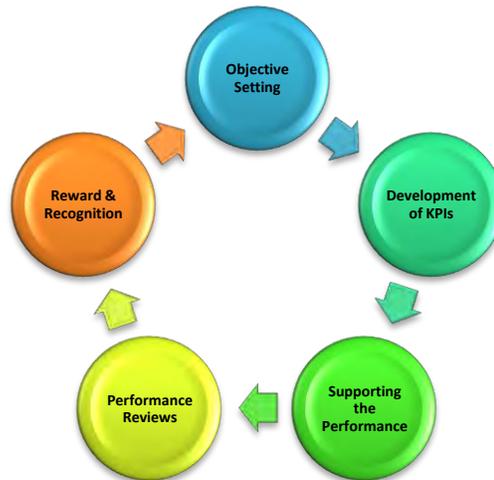
Culture lacking in accountability & recognition of performance: The current organizational culture at NEPRA is typical of a public sector organization marked by overemphasis on seniority, without clear accountability mechanisms, hiring of staff without merit and absence of meaningful performance appraisal system. A sound and transparent performance management system needs to be in place so good performers are identified and rewarded accordingly.

Outdated HR policy framework: Generally, the HR policy framework at NEPRA in context of its existing business needs is outdated. There is unnecessary reliance on old fashioned NEPRA Service Rules and lack of transparency in HR processes and decision-making. In particular, the HR processes related to recruitment, transfer, promotion and performance appraisal suffer from lack of merit, and transparency. The entire HRM needs to be revitalized.

The HR Department structure: The existing HR department’s structure at NEPRA is not at par with market practices, and places less emphasis on core HR functions and an over-emphasis on non-core functions placed under the HR department. At least eight positions in the current structure, i.e., Senior AD-Public Relations, DD-Administration, AD-Protocol, AD-Administration, Director Information Technology, DD-IT, Senior AD-IT, and AD-IT II are not core HR roles, instead detracting from the HR function diluting the impact that an HR focused unit can have on an organization.

J. Performance Management System (PMS)

Performance management in an organization is a systematic approach that involves a range of activities undertaken to get the best performance from employees to achieve company goals, team objectives and individual goals. Performance management is a continuous process of setting KPIs for employees which are derived from job descriptions, monitoring their progress against the KPIs, evaluating outcomes, and then recognizing their performance. The entire process is supported by providing and receiving feedback.

PMS Cycle:**Weakness of the Existing Appraisal:**

The current performance management system at NEPRA has some gaps which are illustrated by the following examples:

- The current evaluation system is obsolete and requires modernization. In terms of market and best practices, most progressive and modern organizations recognize evaluating employees for competencies and achievements (of meeting given targets), whereas, in NEPRA some form of achievements are listed but no evidence is found of objectives setting component or any KPIs in the forms. The rating system also appears to be heavily subjective rather than based on quantifiable and measureable attributes. The outdated practice of promoting staff based, on seniority and tenure of service, is also a flaw in the current system when compared to industry trends.
- The system makes no distinction between performers and non-performers. Lack of a performance-based culture at NEPRA is negatively impacting the productivity and efficiency of the organization. High performers are not being rewarded; therefore employees do not aspire to perform well as their career advancement is not at stake.
- Lack of focus on assessing employees on values and competencies. There is very little focus on assessing employees based on core values or competencies which form the basis of performance measurement as far as best practices are concerned.
- No feedback on performance is given to employees directly. Communication or feedback system of sharing performance assessment with the concerned employee is missing from the existing Annual Assessment Report (AAR). Similarly, there is no focus on discussions within management and HR on the employee’s ratings and promotion.
- The process of performance measurement is not used to identify training and development needs of employees. Identifying an individual’s training requirements and other

development needs is an important part of the overall performance evaluation process. Unfortunately, under the present AAR system, this integral element of performance management is overlooked.

- The entire process of AARs is lengthy and requires extensive manual record-keeping, a time consuming exercise. Also, the criteria for calculating and quantifying the ratings appear to be complicated.

No Formal Written Policy on Performance Management System: A very general and brief guideline is available but no formal written policy document exists (NSR; Chapter – 6, Regulation 31). The guide for filling these forms assists them in filling out the Performa forms, which are primarily used for recording and tracking employee’s service history based on subjective assessment of employees. NEPRA strongly believes that seniority would lead to career progression. This mindset deprives NEPRA from having a more effective and modern performance-oriented culture.

Annual Increments are not Linked to Performance Process: Generally, in well-functioning companies, annual increments and pay raises are the outcome of performance assessment; this is not the case in NEPRA. AARs are just fulfillment of formality and are referred at the time of promotion which itself comes after a certain number of years (i.e. seniority or tenure-based), rather than rewarding an employee based on his achievements and performance on a yearly basis.

Record in Summarized Form of Performance Appraisal: The recordkeeping of the performance appraisal is maintained in MS Excel; however, NEPRA has their ERP system available which is not being used to serve the purpose. The available record of performance appraisals is not complete; there are a number of employees whose AAR rating is not given in the list provided to the Team. This analysis is important for the HR Department and should be available, which only underlines the need for having proper utilization of Human Resources Information System (HRIS) at NEPRA.

NEPRA Promotions Policy (NSR; Chapter-4 Regulation 27A & Chapter-5): In the prevailing system, promotions are primarily based upon seniority as well as eligibility of the employee to be promoted. Eligibility of the employee is assessed primarily on the employee’s work in the lower post/s which is based upon his/her AAR ratings; however employees in NSG-1 are promoted on the basis of seniority only. Though NEPRA’s promotion policy seems linked with the performance management system, the policy still overlooks the importance of employee competencies and skills. Seniority-based promotions create de-motivation and employees do not feel compelled to put in their best as they are sure to get promoted after a certain numbers of years. There is no concept of linking increments and pay raises with individual’s performance, potential, and capability to grow.

Seniority-Based Promotions Impede Induction of New Ideas and Experiences: Due to the seniority-based promotions, there is a general tendency of having less young blood in the top management cadre, which in return affects the performance of the organization as a whole, as it deprives the organization from new ideas and transition to new models of knowledge and technology that a younger group might bring, based on their recent education and experiences.

Absence of Succession Planning Process: In the current environment, a formal process of succession planning is absent. While the current grading system supposedly has an in-built mechanism for succession, in an environment where career progression is often not merit based and political interference is frequent, no transparent process of succession planning has been developed at NEPRA.

K. Job Descriptions

JDs describes the major areas of an employee's job or position, which contains important information about the job, which includes the tasks individuals will perform, purpose and responsibilities of the job, relationship/interaction of the job, and the qualifications needed for the job.

At the organizational level, it is essential to have a central repository of JDs for different positions that exist in the organization. This helps the organization to document the work performed by its human capital. Over a period of time, the organization through the process of continuous improvement, enriches the role of its manpower through organizational development and job enrichment processes.

Current State of Job Descriptions:

No Central Job Description Manual:

Currently, at NEPRA no central JD manual is available. The routine or day to day activities of its manpower are not documented. PDP did find the JDs of the Monitoring and Evaluation Department to be of a better standard, though some improvements could still be made.

Limitations of the Existing Job Descriptions:

With respect to human resources or manpower planning, the descriptions provide the exact information regarding the tasks, duties, jobs performed by the employees and for which they are responsible for. However, the existing descriptions lack the details which are pivotal for efficiently managing the human resources and the systems of the organization as a whole. Some of the key shortcomings of the existing JDs are given below.

- The JDs are more people specific and hence the focus shifts away from the requirement of the corporation to the tasks performed by the employee
- The key task, jobs, duties performed by an employee lack the detail and thus ignores certain important information
- No information of any sort is provided with respect to the knowledge and skills required to efficiently perform the job
- No coherent information of any sort is provided with respect to the necessary qualification and experience which is required to perform the job
- Important information that determines the performance metrics are not present
- JDs are not communicated or used effectively
- JDs are not given to new employees; there is no practice of handing them over to new recruits at the time of joining

No Proper Format:

PDP has observed the non-standard JD format/template available with NEPRA to document a routine job and responsibilities. The JDs written on plain paper sheet excludes the following important information regarding the job incumbent:

- Job code
- Nature of appointment, regular as opposed to contract
- Reporting channels
- Supervisory role
- Job summary
- Interaction required by the job holder to perform routine duties (both internal and external)
- Minimum education required for the job
- Minimum experience (number of years and areas) required
- Knowledge, i.e., areas of expertise, understanding of the main principles of the field required for job
- Skills needed, both technical/ administrative
- Accountabilities, responsibilities, tasks and duties to be performed by the incumbent
- Measurement criteria of different accountabilities and responsibilities.

Key Factors for Successful Completion of the JD Activity:

Given the working culture and the fact that most employees are unaware about modern day HR practices, the activity of developing JDs is subject to different challenges and obstacles. In general, there are a number of challenges which will be faced during the next phase of the project, and in particular in completing the JD task.

Some of these challenges are:-

1. Employees are generally reserved about commenting on the tasks they perform, thus creating a problem for PDP to create an environment of trust and open communication. Thus extra time and effort will be required by PDP to remove these suspicions to bring the concerned in to the comfort zone.
2. Due to routine heavy work load, the Heads of Departments and/or Section Heads may not be in a position to provide the required support (technical, manpower and time) to complete the activity efficiently.
3. Lack of exposure to HR concepts creates an additional burden in which the employees will be required to be educated on different concepts, like knowledge, skills, and measurement criteria.
4. General poor response to respond to questionnaires and complete forms developed for the purpose.
5. With the above in view, the PDP will need to shape JDs and then make necessary amendments on receiving feedback from the concerned department.

Observations and Analysis:

As part of our review, observations represent our opinions and judgments regarding the current practices, policy, procedures or tools in use within the organization relevant to Job Descriptions.

General Lack of Awareness about JD’s and Their Benefits

The awareness regarding the importance and value of JDs is lacking in NEPRA. Most employees while aware that some form of a job description exists for their position did not consider it as an essential and working tool. The recognition and usefulness of a JD as a key tool for providing direction to an employee regarding his role and responsibilities, providing a basis for performance measurement and holding an employee accountable, is absent in the current environment and practice at NEPRA.

The Existing JDs are Inconsistent and Outdated

The structure and contents of the existing JDs are very basic in nature and do not fulfill the requirements of today’s business needs or what is considered best practice. For instance, there is no consistency in the design and presentation of these JDs. Nor is there consistency in terms of “what it should describe”, their length also varies from three to four pages to one paragraph. The content and key information required in a Job Profile are also missing from the present JDs. There is a clear lack of consistency on how key tasks and responsibilities are listed. The JDs/Job Profiles also does not identify the key relationships (either internal or external).

- However, the technical jobs are well defined and can be useful if these are circulated and used by technical staff.
- The tasks listed in the few JDs are not aligned to the company business objectives. JDs are not used as a business planning and execution tool, resulting in absence of quarterly or yearly output plans for an employee.
- There is a “disconnect” between the tasks and responsibilities listed on the existing JDs versus what an individual is actually doing in practice. The JDs have not been updated to reflect the changing nature of roles and responsibilities assigned to an individual. Some of the roles have evolved/enhanced with the passage of time as per the changing business needs but these changes are not reflected in the JDs.

Greater Emphasis on Operational Tasks:

There is greater emphasis on operational tasks than strategic input on JDs for top management. The JDs of top management also reflect greater administrative and/or operational tasks more than their strategic roles. In reality too, the top management is heavily involved in spending nearly all time on administrative and operational matters and negligible time on strategic issues. The contents of JDs do not focus on projects, deliverables and tasks, rather it places greater emphasis on routine and repetitive tasks, even for positions at a senior level.

Overlapping in Tasks across the Hierarchy:

In many cases the JDs overlap with responsibilities listed on them. The logic behind a well-prepared JD is to encompass key responsibilities of the position in a broader sense that may identify the responsibilities, deliverables and role of employees more clearly. In many cases, there is an overlapping of tasks in vertical hierarchy from Director on down. In many cases there are no clearly defined reporting relationships of the incumbent in the JD.

L. Compensation & Benefits

Generally, NEPRA is offering a reasonable salary package as compared to other federal Government employees working in the Basic Pay Scale (BPS) and Special Pay Scale (SPS). Their salary scales have been recently revised in 2013. Pay scales broadly are categorized into NEG, NPG and NSG categories, with each having two, four and six levels (respectively), with each level having 20 stages.

Allowances:

House rent allowance: @ 60% of basic pay

Utilities allowance: @ 30% of basic pay

Conveyance allowance: @ 10% of basic pay

a. Benefits Analysis:

The current salary levels at NEPRA appear to be quite satisfactory compared to the market. However, the study includes salaries and petrol allowances of NEPRA employees and details will be covered in development stage of the project. There are three kinds of allowances at NEPRA; House rent allowance (60% of basic pay); Utilities allowance (30% of basic pay) and Conveyance allowance (10% of basic pay). Other benefits at NEPRA are:

1. **Compulsory Group Life Insurance:** All regular employees of NEPRA are entitled for Group Life Insurance. NEPRA is contributing 50% of the insurance premium to the insurance company and the remaining 50% shall be deducted from employee’s salaries on monthly basis. As per NSR, the value of group life insurance will be determined by the employee from the various rates provided by the insurance company.
2. **Advances By Way Of Loan:** All regular employees in NSG-1 to NSG-6 having six years continuous service as regular employee are entitled to apply for loan for reasons listed below. Employee can claim a maximum amount equal to his/her six months gross salary.
 - a. Marriage of employee and/or his/her children;
 - b. Medical treatment abroad of the employee and/or his/her children, parents;
 - c. Death of the employee’s parents and/or his/her children;
 - d. Repair/Maintenance/Construction of employee-owned house;
 - e. Pursuing higher qualification by the employee.
3. **Honorarium/Bonus:** All NEPRA employees including contract employees are granted one honorarium/bonus in a financial year equivalent to one month’s salary. The facility of another honoraria/bonus is extended to the support staff only on the eve of Eid ul Fitr. Employees with a minimum of 90 days service in a calendar year are eligible for honoraria.
4. **Qualification Allowance:** Employee acquiring higher and technical qualification beyond his/her minimum requirement are entitled to Qualification Allowance which is Rs50, 000 per month but employees having softer skills and jobs are not entitled for this allowance. Giving benefits to a specific employee type is a source of discrimination and needs to be revisited.

The pay scale of NSG/NPG/NEG does not fit into the current trend of linking compensation to strategic HR objectives, such as linking employee contribution and performance, increase in business growth, customer value, and profitability.

M. Training & Development

Training and Development functions are non-existent in the current NEPRA’s organizational structure. Training and development related matters of NEPRA are undertaken by the HR team, which mostly revolves around carrying out the file work instead of assessing, designing, planning, delivering and final assessment of the individual and group interventions.

a. Training and Development Analysis

- No mechanism is in place to assess the Training and development needs of NEPRA. Similarly existing human resources functions lacks the resources to efficiently perform different tasks related to the human capital development. Nominations for different trainings are made when a training/sponsoring body forwards a list of their interest to NEPRA.
- Furthermore a centralized database containing the complete information regarding training and/or developmental programs attended by the employees of the Authority is not available.
- NEPRA does not have a training and development policy for its employees. The absence of the policy has impacted the skill enhancement efforts of its manpower, which ultimately has affected the efficiency of the organization.
- NEPRA does not have any training calendar/plan, which contains information regarding organization wide trainings (i.e. either soft or hard skills). This will hamper NEPRA in maintaining the existing level of performance of its employees and improving its resources for future.
- Currently, NEPRA does not have any record regarding employees who have the potential to design, develop and deliver training i.e. no internal trainers database is available.
- No specific budget has been allotted for the purpose of Training and development activities.

6. RECOMMENDATIONS

Based on the findings and analysis presented in this report, we have identified key drivers of change and corrective measures each supported by a series of recommendations and accompanying rationale which will reform and greatly improve the business processes and present a “To-Be” picture for NEPRA.

DOMAINS	RECOMMENDATIONS
1. Regulatory Framework / Governance	<ol style="list-style-type: none"> 1. It is recommended that NEPRA should actively prescribe procedures & standards for investment programs for the generation, transmission and distribution companies and should actively settle disputes between the licensees. 2. Actively approve the organizational affairs of the generation, transmission and distribution companies 3. NEPRA should look into improvements in the mechanism for regulatory effectiveness including a greater understanding of the framework by the stakeholders 4. To enhance operational efficiency and lessen the burden on the Authority, NEPRA needs to review and update NEPRA financial rules. 5. NEPRA should effectively review and implement performance standards in Distribution, Transmission and Generation
2. Autonomy	<ol style="list-style-type: none"> 6. NEPRA has to be completely autonomous in order to effectively regulate the power sector inline with recognized international standards
3. Operational Structure	<ol style="list-style-type: none"> 7. It is recommended to undertake a review whether the Authority comprising of the chairman and members should continue with their current role or should it be transformed into a high level strategic role by detaching their positions from the routine departmental working. Where the strategic change is not made, it will be highly essential that role of the Authority is more aligned towards the regulatory functions rather than looking after routine administrative issues.
4. Organizational Structures	<ol style="list-style-type: none"> 8. NEPRA should revise its organizational structure immediately to make it more conducive and aligned to its key objectives, reducing the hierarchical layers in the organizational structure, which will enhance span of control and improve reporting lines.
5. Streamline Functional Areas	<ol style="list-style-type: none"> 9. Departments must have a clear purpose and understanding of their departmental profile. This should include the related business processes and work flow properly mapped along with well documented policies, rules, and SOPs 10. The investment function should be separately aligned in the structure and should effectively prescribe procedures and standards for investment programs by generation, transmission and distribution companies 11. It is recommended that NEPRA should be properly resourced to undertake required tasks covering all functions. This exercise should as a minimum cover looking at the possibility of outsourcing non-core functions. 12. External and internal communication programs needs to be strengthened through a purposeful communication and media department, to meet established regulatory and organizational requirements. Although NEPRA has made commendable efforts to safeguard the interest of the stakeholders, further measures such as

	<p>electronic portal to manage queries, complaints, etc., will be useful.</p>
6. Vision/Mission/Value	<p>13. Organizational vision and mission (in English and in Urdu) should be revived and shared with all employees. The mission statement should be linked with the departmental goal/objectives.</p> <p>14. NEPRA needs to determine the values of the organization; develop a plan for communicating across the organization.</p>
7. HR Department	<p>15. Transform NEPRA HR Department with focus on modern HR management practices and responsibility for creation and diffusion of the new HR culture. The transformed department will be the catalyst for change, introduction of new concepts, and their transition into more effective procedures and practices.</p> <p>16. NEPRA should form an HR Task Force to oversee the implementation of various recommendations. The task force would need to have adequate mandate and authority to assist and expedite the approval process, subsequent implementation and monitoring of proposed changes.</p> <p>17. Develop and implement a revised HR management system (NSR, policies, procedures, performance management system, manpower planning, tools, etc.) documented in a manual to modernize NEPRA HR practices at par with the best practices model (further details in No. 8).</p> <p>18. The training department capabilities need to be strengthened, tasked with undertaking training need assessment, designing, developing and delivery of training programs, both internal and external. This will, among others, include adequate resource allocation (further details in No. 9).</p> <p>19. The HR department requires an expert HR professional to maintain, validate and operate the Oracle HRIS for full utilization (further details in No.10).</p> <p>20. NEPRA should undertake a job evaluation exercise to streamline its job grading, titles/designation ranking and level of responsibility for the determination of competency based compensation.</p>
8. Recruitment, Performance Management and Rewards	<p>21. Develop and implement a recruitment policy based on merit and criteria specific to the requisitioning department.</p> <p>22. An effort should be made to hire suitably qualified women to bring about gender balance and improve the overall culture of the organization. 10% federal quota for women seats must be adhered to in all future openings.</p> <p>23. A new Performance Management System should be implemented based on assessing employees on performance and accountability. The new system will provide the linkage of company’s business plans to employee performance through KPIs and also provide a platform for yearly employee-employer dialogue, career progression (promotion) review and identification of training needs and will serve as a source of motivation.</p>
9. Training and Development	<p>24. NEPRA must allocate a reasonable amount of budget each year for training and development programs (management, functional, skill based); 6 – 7% of the payroll expense is the industrial standard.</p> <p>25. A company-wide TNA based training program should be launched with immediate focus on staff training to raise the performance level of the organization.</p> <p>26. NEPRA should develop and maintain an electronic repository for all trainings.</p>

	<p>27. NEPRA can look into initiating management trainee program, which possibly will cover gaps in functional areas in short term and in long-term will assist NEPRA in establishing competent resource pool.</p> <p>28. Establish a facilitation and development program for the Authority.</p> <p>29. NEPRA should take up with the Cabinet Division the need for obtaining NOC/approval to proceed for training</p>
<p>10. Human Resource Information System (HRIS)</p>	<p>30. The current Oracle based HRIS has to be fully utilized for effective and smart decision making. This should among others cover PMS, analytics; core HR and iRecruitment, which should all be activated and implemented.</p>

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