Managing with Data Reaps Financial Rewards in the Open Power Generation Market

How a mid-sized power generation company consistently uses data to set goals, engage their workforce, and produce results

CHALLENGE

The company had historically achieved average results in the operation of its generating fleet. Market pressures provided a catalyst for the organization to improve performance.

SOLUTION

The decision was made to develop a strategic plan each year that would specifically address the largest gaps in performance identified through the benchmarking data.

RESULTS

After the company started managing with data, year-over-year financial performance improved dramatically, and the new approach continues to produce tangible results.

A catalyst for change

A mid-sized power generation company accepted average performance because they still felt they were delivering value to their customers. However, market pressures began to challenge their status quo. The increase in wind generation and the associated reduction in power prices challenged the company to improve performance. Profitability and value to their shareholders made a convincing argument that they couldn’t continue doing business as usual.

A shift from reviewing the data...

What could be done to restore and maintain a competitive edge in the ever-changing marketplace? The firm had participated in Solomon’s Power Study previously but had done little more than review the data and results. Market pressure now drove the company to develop action plans relative to their specific gaps identified through Solomon’s standard analysis. With Solomon’s help the company analyzed all facets of performance (expenditures, reliability, and fuel conversion efficiency) within the context of market forces. The analysis identified the gaps and monetized the value to the firm of closing these gaps, convincing the operator of the need for a data-driven culture to performance improvement.

...to managing with data

The largest areas of opportunity identified through the benchmarking analysis were addressed by the operator first. This was done by establishing 3-4 specific goals to be addressed during the coming year, assigning ownership of the goals to specific individuals within the organization, and holding themselves accountable to monitor and achieve the identified goals. This approach was, in effect, managing with the data.
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The results — improvement in all key areas

By taking a targeted approach in the selected key areas every year, the expected results began to be realized. Their proactive focus on increasing equipment availability led to fewer unplanned outages because the equipment was running more reliably. Fewer unplanned outages resulted in decreased spending on equipment maintenance. The testament to the improved performance can be seen in the 6-year trends in Figure 1 through Figure 5, including comparisons to the top and bottom quartile performers.
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Figure 4. Spending

Figure 5. Personnel

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