

Finance

The Business Planning Cycle

11 – 12
May 2010

by NIAF

Outline of Today's Workshop

9.00 – 9.15	Outline of the workshop
9.15 – 10.15	Finance - the business planning cycle
10.15 – 10.30	Coffee break
10.30 – 10.35	Introduction to first task
10.35 – 11.35	First task - identify resourcing needs of Abuja to address the business planning cycle
11.35 – 12.00	Group 1 summary of findings and discussion
12.00 – 12.25	Group 2 summary of findings and discussion
12.25 – 13.00	Lunch break
13.00 – 14.00	Regulation - the regulatory cycle
14.00 – 14.05	Introduction to second task
14.05 – 14.20	Tea break
14.20 – 15.20	Second task part 1 - identify resourcing needs of Abuja to address the regulatory cycle Second task part 2 - develop an appropriate organisational structure, identifying key roles, responsibilities and associated tasks to address planning and regulatory requirements
15.20 – 15.45	Group 2 summary of findings and discussion
15.45 – 16.10	Group 1 summary of findings and discussion
16.10 – 16.45	Summary of day, questions and answers, suggestions and feedback

Overview

- Objectives
 - Who, what, why, where, when and how
 - Knowledge creation
 - Prioritisation and forming the business case
 - Validation, risk management and measurement
 - Finalisation and monitoring
-

Objectives of Business Planning

- Success of planning gauged by the ability of the business to
 - Maximise
 - Long-term sustainable business profitability
 - Revenues less costs
 - Sustainable
 - Use of scarce resources
 - Power received
 - Asset base
 - Tariff revenues
 - Skills
 - Finance available

Objectives of Business Planning

- **Objective**
 - Maximise long-term sustainable business profitability and use of scarce resources
- **To achieve the above objective the business needs to identify**
 - Who, what, why, where, when and how
 - In the business plan
 - And to achieve this objective need to answer
 - Who, what, why, where, when and how in the project management of the business planning process itself

Who, What, Why, Where, When and How

- **Business planning project management**
 - Who will drive the process
 - What needs to be done
 - Why does it need to be done
 - Where will it be done
 - When must it be completed
 - How will it be completed
- We will answer these questions as we step through the planning process in more detail

Who, What, Why, Where, When and How

- Who in the organisation will be responsible for:
 - Business planning project management
 - Planning framework and key assumptions
 - Challenges and issues
 - **Markets**
 - Mission, vision and values
 - Strategy
 - Objectives and targets (KPIs)
 - Management actions and programmes for business improvement
 - Revenue forecasts
 - Operating costs budget
 - Capital budget
 - Cash surplus or deficit - financing
 - Risk analysis
 - Performance monitoring

Who, What, Why, Where, When and How

- Who
- What
 - Internal information needs to flow in the organisation to allow prioritisation and effective decision making
 - Budgetary guidance
 - Post-mortem examination of last planning process
 - Lessons from implementation
 - Period the business plan should cover
 - Key dates (require approved business plan by December)
 - Assumptions to use
 - Templates to ensure relevant information is obtained and all necessary department inputs are considered

Who, What, Why, Where, When and How

- **What**

- Critical external market information needs to flow to the business to allow optimal decision making (why external market information is important.
 - Knowledge needs to be created by
 - Information gathering
 - Information analysis
-

Who, What, Why, Where, When and How

- What

- Information gathering e.g.
 - Regulation
 - Economic
 - GDP forecasts
 - Population movement, household formation
 - Socio economic indicators
 - Inflation and foreign exchange rate forecasts
 - Commercial
 - Customer theft, collection losses
 - Cost to connect and maintain customer services
 - Generation/transmission availability
 - Network
 - Asset location and condition
 - Load flow
 - Cost behaviour

Who, What, Why, Where, When and How

- What
 - Information gathering e.g.
 - Economic - GDP forecasts

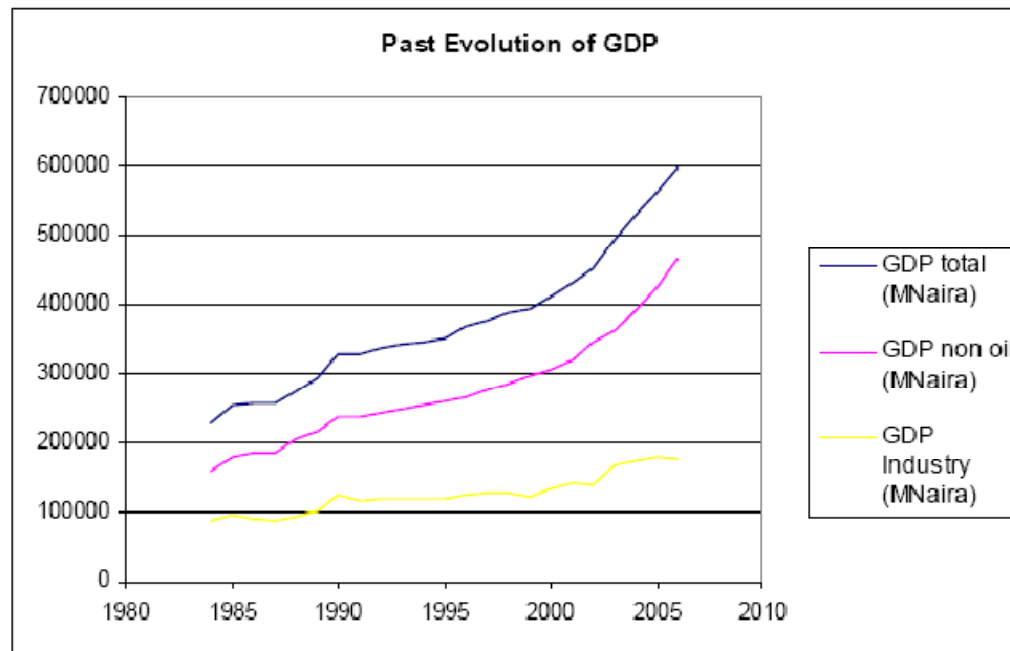


Figure 33: *Past Evolution of GDP 1980-2006*

Source : Central Bank of Nigeria

Who, What, Why, Where, When and How

- What
 - Information gathering e.g.
 - Commercial - population movement, household formation

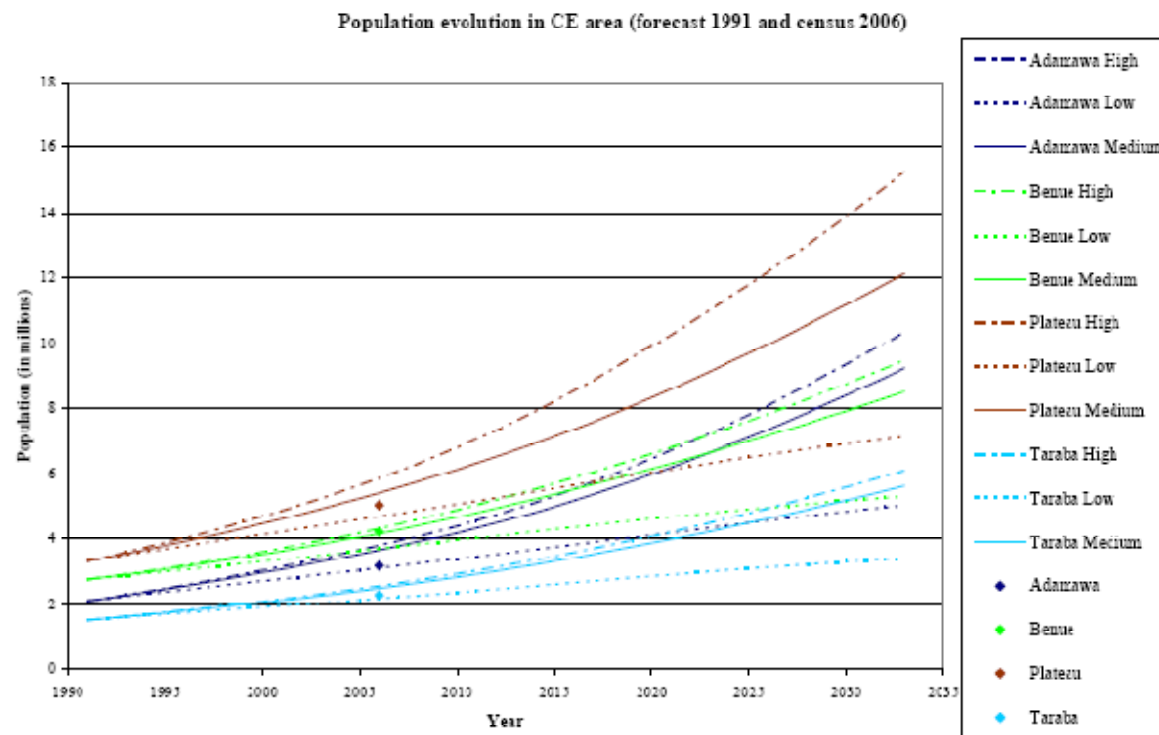
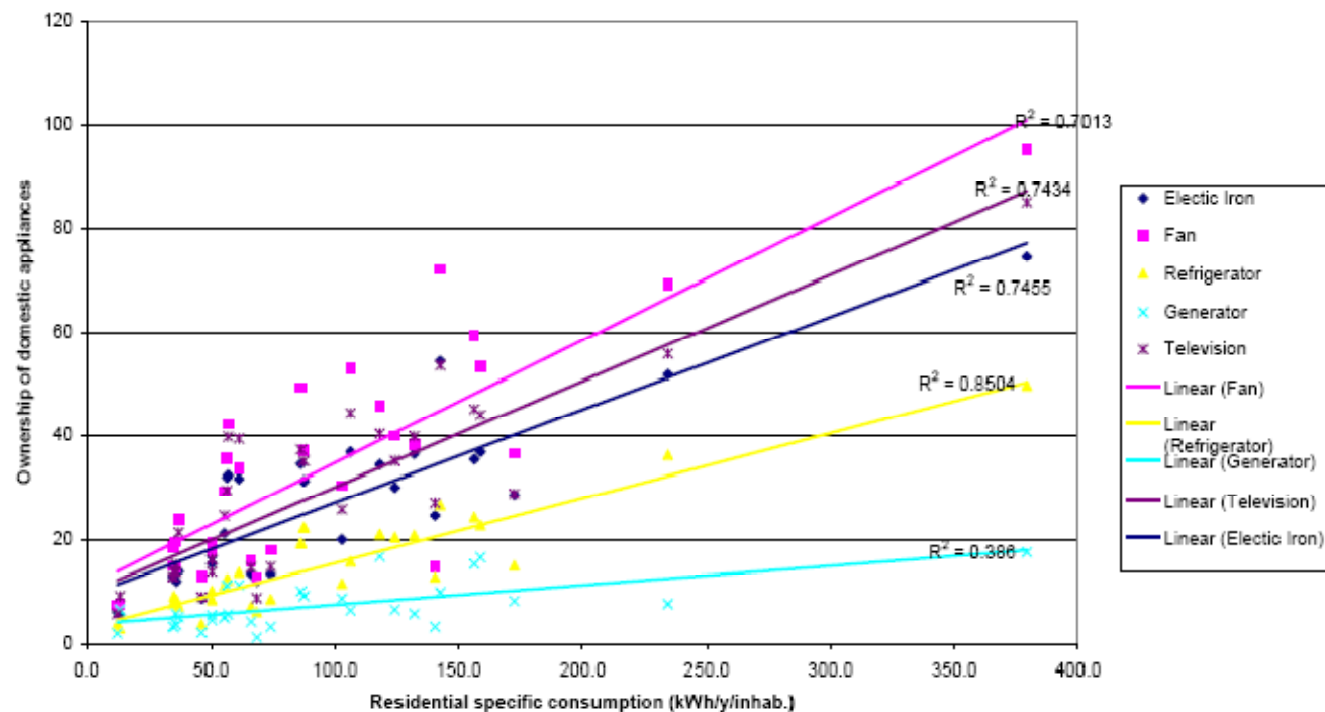


Figure 5: Population evolution in CE area (1991 forecast and 2006 census)

Who, What, Why, Where, When and How

- What
 - Information analysis e.g.
 - Economic – customer profiling and electricity consumption

Ownership of domestic appliances vs Residential specific consumption



Who, What, Why, Where, When and How

- What

- Information analysis e.g.

- Economic – GDP, population and forecasting future electricity demand

Country	Population (Mill.)	Installed capacity (MW)	Energy per capita (kWh)	Installed capacity per Capita (W)	Estimated Peak Load per capita (W)
USA	293	1017000	12343	3470	2776
Gemarny	82.6	115000	6366	1392	1114
UK	59.7	76300	5680	1265	1012
South Africa	42.7	44650	4705	1046	837
Brazil	179.1	44650	2189	480	384
China	1300	338300	1200	260	208
India	1086	124000	520	114	91
Ghana	20.7	1762	309	85	68
Nigeria	140	4750	166	34	27

Table 16: Energy and Installed Capacity per Capita – International Comparison

Prioritisation and Forming the Business Case

- What
 - Knowledge
 - Markets
 - Power demand
 - » How much
 - » Where
 - » When
 - » Who can pay
 - » What can be brought back into the system
 - Relative profitability of markets?

Prioritisation and Forming the Business Case

- What
 - Knowledge
 - Relative profitability of markets (cash is king)
 - Information analysis of markets by area, by customer category
 - » Cost to connect
 - » Revenue and ability to pay/collect
 - » Cost to supply
 - » Theft levels
 - » Collection losses
 - » Costs to maintain services

Prioritisation and Forming the Business Case

- What
 - Knowledge
 - Markets
 - Relative profitability of markets
 - Availability of supply?
-

Prioritisation and Forming the Business Case

- What
 - Knowledge
 - Availability of supply
 - Information analysis of
 - » generation availability (PPAs)
 - » transmission capacity and availability
 - » distribution network
 - Customers willing and able to pay
 - Ability to manage network to get power to those who pay

Prioritisation and Forming the Business Case

- What
 - Knowledge
 - Markets
 - Relative profitability of markets
 - Availability of supply
 - Availability of skills and finance?
-

Prioritisation and Forming the Business Case

- What
 - Knowledge
 - Availability of skills and finance
 - What are the implications to the business in terms of
 - » Skills required
 - » Costs
 - » Tools (processes and systems)
 - » Consumables
 - » Capex
 - » Maintenance funding and capability

Prioritisation and Forming the Business Case

- What
 - Knowledge
 - Markets
 - Relative profitability of markets
 - Availability of supply
 - Availability of skills and finance
 - Getting the biggest bang for the Naira (capital rationing)
 - Expected outcome, results, risks?
 - » cost/benefit analysis?
 - » Payback period?
 - Protecting investment value – regulatory rules and the return on and of capital?

Prioritisation and Forming the Business Case

- What
 - Knowledge
 - Expected outcome, results and risks e.g.
 - Outcomes
 - » Improved collection = increased revenues
 - » Improved reliability = better service and increased revenues
 - » Reduced losses = greater supply = increased revenue
 - » Maximization of load flow across the network = better service and increased revenues
 - Results: costs, benefits and payback period (period of time it takes to recoup associated costs)
 - Risks (critical path analysis)

Prioritisation and Forming the Business Case

- What

- Knowledge

- Markets
 - Relative profitability of markets
 - Availability of supply
 - Availability of skills and finance
 - Getting the biggest bang for the Naira (capital rationing)
 - What is the business good at and bad at?
 - identification of business issues
 - » SWOT and PEST analysis
 - » Financial results actuals vs. budgets
 - » Best practices
 - » Gap analysis

Prioritisation and Forming the Business Case

- Who
- What
 - Knowledge
- Why
 - Strategic vision
 - Business goals
 - Business case

Prioritisation and Forming the Business Case

- Who, what
- Why
 - Strategic vision
 - Business goals
 - Business case
 - Testing
 - Sensitivity analysis
 - Validation, risk management and measurement

Finalisation and Monitoring

- Business plan
 - Who
 - What
 - Why
 - Where
 - When
 - How
- Review, revise and finalise

Finalisation and Monitoring

- **Objective**
 - Maximise long-term sustainable business profitability and use of scarce resources
- **Business plan**
 - Who, what, why, where, when and how
- **Monitor**
 - Who, what, why, where, when and how
 - Objectives and targets (KPIs)
 - Management actions and programmes
 - Milestones
 - Budgets

Revenue Allowed (CPI-X-Y) - what

- What
- Who
 - Opex less efficiency (X)factor
 - Service quality factors
 - Correction factor/risk management factor