

## **The electricity supply industry and the four reference boards**

2.1 The electricity supply industry in England and Wales (the ESI) comprises the following statutory bodies:

- (a) the Electricity Council, which is the forum for discussing and formulating the general policy of the ESI and the chief source of policy advice to the Secretary of State for Energy on matters affecting the industry as a whole;
- (b) the Central Electricity Generating Board (CEGB), which is responsible for generation and transmission of electricity in bulk through the high voltage power lines of its national grid; and
- (c) twelve area boards, including EMEB, NEEB, SEEB and SWEB, which receive bulk supplies of electricity from the CEGB for distribution to industrial, commercial and domestic customers.

2.2 In 1976 a Committee of Inquiry under Lord Plowden reported<sup>1</sup> that the ESI suffered from a lack of central control and direction, and recommended that the industry should be unified under a single statutory body; a draft Bill designed to create such a central electricity authority was published in 1978. In 1980, however, the new Government announced that they did not believe the benefits from a unified structure would outweigh the risks of over-centralisation; there would be no reorganisation but steps would be taken by voluntary means to strengthen the relationship between the Electricity Council and the boards. Before making the announcement (see the extract from Hansard at Appendix 2.1) the Secretary of State for Energy had written to the various boards seeking and receiving a formal commitment to support this policy and to work more closely with the Council and with the other boards in the industry.

### **Electricity Council**

2.3 The Electricity Council is composed of a full-time Chairman, two Deputy Chairmen (one full-time and one part-time), up to three other full-time members, the chairman and two other members of the CEGB, and the 12 area board chairmen. There are around 1,200 permanent staff.

2.4 The Council has two general statutory duties, to advise the Secretary of State on matters affecting the industry and to promote and assist the maintenance and development by electricity boards of an efficient co-ordinated and economical system of electricity supply. The Council also has a number of particular duties, including:

- (a) to establish and maintain machinery, including conciliation and arbitration procedures, for the settlement by negotiation of the terms and conditions of employment for all employees in the ESI;

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<sup>1</sup> 'The Structure of the Electricity Supply Industry in England and Wales'; Cmnd 6388.

- (b) to promote, improve and encourage measures for safety, health, welfare, education and training for the industry as a whole;
- (c) to settle with the Secretary of State any general programme of research for the industry and secure its execution;
- (d) to raise capital for the industry; and
- (e) to prepare an annual report and consolidated accounts for the industry.

2.5 Other aspects of the Council's work include acting as a forum for the development and discussion of tariff proposals, providing an inter-board banking service, demand forecasting for investment planning, evaluation of tariff structures, and the development and publication of a wide range of performance indicators for the industry. The Council also provides a channel for consultation between outside bodies (especially the Government) and the industry, and it supplies certain common services including the collection of statistics. In addition the Council prepares a strategic plan for the industry, which is reviewed with the Government.

2.6 The Electricity Council has a number of standing committees including the Corporate Planning Committee, the Financial and Pricing Policy Committee, the Industrial Relations Committee and the Performance Indicators Committee. It also has a network of inter-board Chief Officers' Functional Conferences to which various sub-committees and work groups report, as appropriate, including a Chief Accountants' Conference which would normally be the forum for consideration of matters relating to revenue collection in area boards. The Chief Officers' Conferences enable the Council and each of the boards to keep in touch with developments, studies, changes in practice, etc in the various parts of the ESI. These functional conferences report either to a standing committee of the Council or to the Senior Management Conference (of Deputy Chairmen) which, in turn, report to the full Council. (An organisation chart showing the committees and main working groups of the Council was included at Appendix 3.1 of our report on the Yorkshire Electricity Board; Cmnd 9014.)

2.7 The Government confirmed their commitment to the policy of strengthening the relationship between the Electricity Council and the boards (see paragraph 2.2) in a letter from the Secretary of State to the Chairman of the Council in July 1983, which set out objectives for the Chairman. The Council has told us that there has been an increased emphasis in recent years on its work of developing a coherent strategy for the industry and on increasing co-ordination within the industry in co-operation with the boards.

### **Area boards**

2.8 Under the Electricity Act 1947, as amended, the main task of an area board is to 'acquire from CEGB bulk supplies of electricity and to plan and carry out an efficient and economical distribution of those supplies to persons within its area who require them'. In addition the boards may sell, hire, install, repair, maintain or remove any electrical fittings; they may also generate electricity themselves with the consent of the Secretary of State.

2.9 The area boards have a number of statutory duties of a general nature:

- (a) to promote the use of all economical methods of generating, transmitting and distributing electricity;
- (b) to secure, so far as practicable, the development, extension to rural areas and cheapening of supplies of electricity;
- (c) to avoid undue preference in the provision of such supplies;
- (d) to promote the standardisation of systems of supply and types of electrical fittings; and
- (e) to promote the health, safety and welfare of their employees.

2.10 Under the statutes the area boards must consult the Electricity Council before setting their tariffs but the final decisions rest with the boards. They must also set their tariffs so as to ensure that revenues are not less than sufficient to meet out-goings taking one year with another. They must also promote the simplification and standardisation of methods of charge and must not show undue preference to or undue discrimination against any person or class of persons.

2.11 In addition area boards must meet a number of more particular requirements arising from the statutes or from ministerial guidance. They must prepare their accounts in accordance with a direction issued by the Secretary of State. Financial targets are set for each board, while the external financing limit and the performance aim are set for the ESI as a whole and are allocated among boards through discussion in the Electricity Council. The Secretary of State also approves the annual capital investment programme of each board.

2.12 The Energy Act 1983 removed the restrictions prohibiting persons other than electricity boards from supplying electricity as a main business. It also imposed on boards a duty to purchase electricity on fair terms from a private generator or supplier and to allow him to use the boards' transmission and distribution systems, except where impracticable on technical grounds.

### **Consumer representation**

2.13 Consumer interests are represented at local level by the 12 area Electricity Consultative Councils, established under the Electricity Act 1947. The chairman of each consultative council sits, *ex-officio*, on the area board. The councils have 20 to 30 members, some of whom represent local authorities while the remainder represent other interest groups such as agriculture, commerce, industry, labour and consumers in general. The functions of the councils are to monitor the industry's standards of service and to seek improvements in performance. An area board must refer any proposals for tariff changes to the area consultative council and keep the council informed of the board's general plans and arrangements for exercising its statutory functions. In addition the councils examine complaints from consumers and consider and report on any matters which might be referred to them by the area board.

2.14 At national level consumer interests are represented by the Electricity Consumers' Council which was set up in 1977 and was established as a statutory body under section 21 of the Energy Act 1983. The chairmen of the 12 area Electricity Consultative Councils are *ex-officio* members of this national body.

## The four reference boards

2.15 Table 2.1 shows the geographic size, the number of customers and the customer density of each of the four boards in our reference. Maps of each board's area, showing the locations of board headquarters, regional offices and shops, are at Appendices 2.2 to 2.5.

TABLE 2.1 Area, number of customers and customer density of each of the four boards as at 31 March 1984

Area board	Area (sq km)	Customers (million)	Customer density (no per sq km)
EMEB	16,307	1.99	121
SEEB	8,016	1.78	223
NEEB	14,672	1.34	91
SWEB	14,400	1.14	79

Source: Handbook of Electricity Supply Statistics 1984.

2.16 Domestic customers far exceed others in number (roughly 90 per cent of all customers in each board) but account for a considerably lower proportion of electricity sales. Table 2.2 shows the proportion of electricity sales, by volume and value, to the main classes of customer in each board during 1983-84. Industrial sales are particularly important to NEEB and EMEB; almost equivalent in value to domestic sales, and significantly greater by volume. In SEEB and SWEB domestic sales represent a far greater proportion of the total, and industrial sales are relatively low.

TABLE 2.2 Sales of electricity by main customer class during 1983-84

Area board	Domestic customers		Industrial customers		Commercial customers		Total sales of electricity*	
	Units sold	Revenue	Units sold	Revenue	Units sold	Revenue	million units	£ million
	%	%	%	%	%	%		
EMEB	35	41	44	37	18	18	18,142	798
SEEB	48	55	24	18	24	23	13,952	649
NEEB	30	39	49	37	18	20	13,003	558
SWEB	45	50	28	21	21	22	10,340	478

Source: The Electricity Council, statement of accounts and statistics 1983-84.

\*Excludes inter-board sales.

Note: Those customer classes not shown in the table and accounting for a very small proportion of sales are:

- (a) 'Farm';
- (b) 'Combined domestic and commercial';
- (c) 'Public lighting'; and
- (d) 'Traction'.