

## 12 Summary of conclusions and points for action

In this chapter we summarise our main conclusions and the points on which we have recommended that action be taken. Our full conclusions and the reasons for them are set out at the ends of the chapters to which they refer, and a further indication of the relative weight which we attach to them is given in our general assessment at Chapter 2.

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- 4.48 1. The recent trends in the CEGB's transmission revenue expenditure and costs give cause for concern. We recommend that the CEGB tighten its financial controls and introduce more rigorous budget-setting procedures. In particular, it should reconsider the use of techniques such as zero-based or priority-based budgeting to supplement its annual planning and budgeting process.
- 4.50 2. We recommend that the CEGB in future monitor each manager's performance not only against his revised or updated budget, but also against his budget as originally set. We believe that this would strengthen his commitment to his original budget, improve the quality of future budget-setting and maintain the essential discipline of comparing actual performance with those budgets as originally set.
- 4.51 3. The measurement of the CEGB's transmission revenue expenditure needs to be improved. The CEGB should therefore base its depreciation charge on separate estimates of the economic lives of the main categories of asset in the system.
- 4.52 4. Greater awareness of the monetary value of energy losses by the transmission system is desirable. The CEGB should publish a five-year statement of these losses in each year's Annual Report.
- 4.54 5. The CEGB's internal audit function has an important role to play in ensuring compliance with procedures and the maintenance of financial discipline throughout the organisation. The CEGB should take steps to bring the internal audit function up to strength and to attract and retain audit staff of the right calibre.
- 5.63 6. The history of the 'two-tier' grid control project is a catalogue of managerial and technical mistakes which have had serious consequences at the level of both national and area control. During the remainder of the combined project, the CEGB must remind itself of and learn from these mistakes and judge progress accordingly.
- 5.64 7. The control project remains a high risk undertaking. We recommend that the Board's Executive Member for Production, who has been made Chairman of the Project Management Board, be personally accountable for the project's successful completion. He should determine whether to carry out this responsibility in part through a committee.
- 5.65 8. The CEGB should set a clear timetable for achieving an appropriate degree of co-ordination of computing and data processing within the Transmission Division.
- 5.66 9. The CEGB has been moving too slowly in designing, and securing the benefits from, new information systems for the senior managers of the Transmission Division. The CEGB should now seek to secure the benefits from improved information systems as quickly as possible.
- 5.67 10. The CEGB has also moved too slowly in identifying information needs for transmission districts. Improvements should be sought energetically within the recently established timetable.

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- 5.68 11. The CEGB should pay particular attention to the encouragement of local enthusiasm and initiative in computing and data processing for transmission. **Regular reports on progress in developing management information systems should include a section on how local initiative is being encouraged and progressed.**
- 5.69 12. We urge the CEGB to exploit the opportunities, provided by the reorganisation of the Computing and Information Systems Department, for increased user orientation as quickly as possible and to report progress regularly.
- 5.70 13. The CEGB should assess the impact of developments in the Five Centre Grid Control Project and other transmission information systems on the CISD's organisation.
- 5.71 14. We believe that the question of responsibility for achieving the right balance of expenditure on transmission and distribution of electricity by the ESI as a whole is an important one. **The CEGB should work with the Electricity Council to produce a clear statement of where the responsibility for ensuring that this is achieved in practice lies.** Consideration might be given by the ESI to post audits of distribution and transmission expenditure to confirm that decisions are in practice optimal for the ESI as a whole.
- 5.72 15. Responsibility should be given to an individual of sufficient seniority for ensuring that there is efficient liaison between the CEGB and the Area Boards or, at least, a remit should be given to the CEGB's Management Services Department to do this.
- 6.38 16. We are not convinced that the CEGB's new organisational structure will enhance at national level the low status hitherto suffered by transmission. **It is important that as Board-level responsibilities are clarified and developed, the CEGB should assess at intervals of not more than 12 months whether in practice transmission is receiving appropriately increased attention.**
- 6.39 17. We were confused by subtle distinctions at Board level, so far as transmission is concerned, between accountabilities, responsibilities and supervisory interests. We have also experienced difficulty in understanding the precise import of the title 'Managing Director' as used by the CEGB. **We recommend that the CEGB clearly define its Board-level accountabilities and responsibilities, according in the process full recognition to the importance of transmission.**
- 6.40 18. The CEGB was wrong to make no formal assessment, before the process of reorganisation began, either of the costs and financial benefits or of the managerial benefits and drawbacks of that reorganisation. **It should now make that assessment.**
- 6.41 19. **In order to anticipate and identify problems in the new organisational structure as quickly as possible, the CEGB should make a formal assessment of its possible disadvantages using where appropriate evidence from the long process of consultation.**
- 6.42 20. The CEGB should establish a timetable for monitoring the outcome of the reorganisation against standards obtained from the overall assessment.
- 6.43 21. The CEGB should consider ways of ensuring its awareness of the needs and views of consumers following the demise of the Regions.
- 6.44 22. The span of responsibility of the Director (Operations and Maintenance) for 20 transmission districts and other locations is very wide. We welcome the Transmission Division's intention to keep this matter under review.
- 6.45 23. **Given the need to remove former regional loyalties and 'cultures' and to obtain the maximum financial and other benefits from reorganisation, the CEGB should review progress in the redeployment of former regional staff at regular intervals.**

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- 6.46 24. The CEGB should ensure that the important responsibilities of District Managers in maintaining effective use of transmission resources in their districts are not in practice diluted in the new organisational arrangements.
- 6.47 25. The CEGB has not adequately assessed the need to move from 'two-legged' to 'three-legged' transmission districts. In due course, the CEGB should consider the specific needs of transmission districts in this matter. It should not be unduly influenced by what was thought appropriate in the past.
- 6.48 26. Once the reorganisation has settled down, the CEGB should conduct a formal review of the number, size and boundaries of transmission districts.
- 6.49 27. We are not convinced of the desirability of separate locations respectively for the Transmission Division's Head Office and the Central Offices of two of its three Departments. In reviewing this matter, the Transmission Division should give particular weight to the advantages of having its top management in constant and close communication with each other.
- 7.48 28. The key role of the CEGB in British industry places a greater degree of responsibility on the trade unions than in most other industries. The continued development of sound collective bargaining is thus particularly important. We therefore welcome the efforts both of the CEGB and the trade unions further to improve industrial relations and to build on a strong existing base.
- 7.49 29. We welcome the CEGB's proposal to undertake jointly with the trade unions a further formal review of the effects on the existing bargaining machinery of the new organisational structure. The parties should be ready to exploit the successful aspects of the consultation which took place over the reorganisation.
- 7.50 30. The CEGB should identify and monitor the costs associated with the bargaining machinery and periodically review the cost-effectiveness of that machinery.
- 7.51 31. In view of the differences between the CEGB and the trade unions on the question of the timing of consultation, especially at local level, a joint reappraisal should be carried out before the end of next year.
- 7.52 32. It is important that adequate staff replacement and training initiatives continue and that the ageing workforce distribution be tackled in the context of overall manpower planning.
- 7.53 33. The CEGB should review its proposals for demanning the sub-stations. It should examine and evaluate the gains to be made from earlier demanning against the disadvantages of an accelerated programme.
- 7.55 34. Future appraisal of the results of pilot studies into NJIC productivity levels should be conducted jointly with the trade unions.
- 7.56 35. We share the CEGB's view that greater responsibility for personnel management should be devolved to line managers and that the Corporate Personnel function should keep managers well informed of policies and provide clear guidance on personnel issues which they may be required to handle, in order to ensure consistency at local level. The CEGB should ensure that its personnel policies and procedures allow local management to play an integral part in the resolution of local disputes. We note the personnel and industrial relations manual which the CEGB has produced for the management. A corresponding manual for the workforce is now under preparation and is to be welcomed.
- 7.57 36. The generation and monitoring of information on overtime pay is an essential element of the CEGB's efforts to reduce and control labour costs. The CEGB should take steps to examine regularly overtime pay information and identify trends in overtime earnings. Overtime arising out of travelling time should be similarly monitored and appropriate action taken.
- 7.58 37. The CEGB should follow up matters identified in its own internal study on overtime working with a view to reducing the amount of overtime, especially that of a non-emergency nature.

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- 7.59 38. We understand that the CEGB intends to take firm action to reduce absence levels. It should discuss with the trade unions the problem of sickness absence in the NJC and NJIC areas with a view to developing criteria for tighter monitoring and better local control.
- 7.60 39. While welcoming the initiative which the CEGB has taken to improve staff appraisal and development arrangements, we believe that more needs to be done. The CEGB should consider with the trade unions their criticisms regarding limited development of staff across functions, a lack of managerial commitment to staff appraisal and regional inconsistencies, with a view to taking appropriate action.
- 8.49 40. The CEGB should speed up its programme for developing computerised modelling techniques, and should re-study the applicability of developments elsewhere.
- 8.50 41. In order to make on-line and short-term control as efficient as possible, the CEGB should ensure that current development work aimed at co-ordinating generation and transmission security analysis gives compatibility between generation and transmission.
- 8.51 42. We note that the CEGB is examining data-gathering facilities to support enhanced on-line and off-line modelling. We welcome this study and propose that a firm programme be produced for installation of data-gathering equipment to meet the needs of the computer models which are being developed.
- 8.52 43. Reactive power compensation on the transmission system could be improved. We welcome the CEGB's plans to install 11 items of compensation plant by 1994 to meet specific conditions. These plans should be reviewed to evaluate the advantages of strategically placed automatic compensation plant over other methods.
- 8.53 44. The CEGB should again discuss with LEB the advantages of installation of compensation plant at St John's Wood against LEB's imminent expenditure on additional metering and reactive compensation plant in the distribution network.
- 8.54 45. The CEGB has established a good system for cataloguing outage requests. It should use the results from its recently developed program to monitor planned and actual outage dates in judging the necessity for detailed long-term planning of outages and numerous staff meetings.
- 8.55 46. The development of computerised outage-costing techniques should be continued with some urgency in order to improve accuracy and applicability. Accurate information on outage costs will enable District Managers to make better short-term resource reallocation decisions and demonstrate savings when reporting performance. Project cost estimates would also be more accurate if apportionment accuracy were improved.
- 8.56 47. The CEGB should reconsider the application of the outage-costing techniques mentioned in conclusion 46 for Area Board and third party outages.
- 8.57 48. As a matter of urgency, districts should establish a common method of calculating and reporting maintenance labour and material costs for major items of plant. This will improve district management and give central management valuable monitoring information.
- 8.58 49. All District Managers should, as soon as possible, be given control of their own resources, including overhead line maintenance crews.
- 8.59 50. We support the removal of one level of stores but believe that a study should be made of the costs and benefits before any decision is taken.
- 9.72 51. We are concerned that there is an inadequate link between different security standards used for determining investment in distribution, transmission and generation. All security standards should incorporate an assessment of the costs and benefits of security and a method of valuation which can be used at all levels of supply.
- 9.74 52. We support the CEGB's programme to develop new approaches to transmission security and the proposed timetable for this work. We suggest that the CEGB make public its new methods of assessment.

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- 9.76 53. We support the priority now being given by the CEGB to the refurbishment or replacement of parts of the transmission system.
- 9.78 54. In view of the continued successful operation of existing switchgear equipment, we do not consider that its early replacement is justified at this stage, or that replacement with SF6 equipment would in itself be preferable to the refurbishment of older designs.
- 9.80 55. Short-term changes in capital expenditure plans restrict the CEGB's ability to forecast transmission capital expenditure requirements accurately and place uncertainty on suppliers. We recommend that the CEGB undertake a systematic assessment of the causes of year-to-year changes which have occurred in its Transmission Plans over the past five years. As part of this assessment, the CEGB should seek to identify critical areas within its investment planning to which more resources might be devoted in order to improve the planning process. This work should be completed within six months.
- 9.81 56. Although the CEGB's investment appraisal guidelines are broadly satisfactory, we think that scheme reports at the main stages of appraisal should contain more detail in order to conform fully with the requirements set out in the guidelines.
- 9.82 57. The use of an informal system of priority setting, particularly on an *ad hoc* and irregular basis, is incompatible with a rigorous approach to investment appraisal. The CEGB should develop a system of priority assessment for capital expenditure and include this in its investment appraisal guidelines.
- 9.83 58. Some post audits of selected investment schemes should be carried out within the next 12 months. The schemes chosen should include a completed overhead line refurbishment project and a major transmission scheme which was justified on the grounds of economic operation.
- 10.51 59. Normal budgeting controls should be applied to long-range Category A research but in such a way as to allow promising ideas to be pursued.
- 10.52 60. We have not obtained sufficient assurance that projects can be efficiently managed and progressed without including programming and costs for the use of individual facilities. We believe that the CEGB should apportion costs of individual facilities to the particular projects passing through them since this would give TPRD management and clients' Sponsoring Officers better control of project progress and costs.
- 10.53 61. The CEGB's work on condition diagnosis of overhead lines is impressive. Condition diagnosis is a powerful tool for investment appraisal and we believe that earlier application of this research should be considered.
- 10.54 62. In view of the advances in overhead line condition diagnosis, the CEGB should study the cost-effectiveness of replacing short lengths of line if the remainder of the line is in good condition.
- 10.55 63. We believe that the CEGB should show greater awareness of the commercial possibilities of some of its research projects. The CEGB should reconsider its position on the commercialisation of development projects and the possibilities for recouping expenditure.
- 10.56 64. The CEGB should set a firm programme for the installation of more fibre optic cables in order to establish without delay the Corporate Data Network and expedite the planned Protection Plant refurbishments.
- 11.59 65. We consider that the CEGB is sufficiently well in touch with its main suppliers to be aware of changes in their capacity, output and reliability, and that this information is available to its system planners. The CEGB is right, ultimately, to base its investment planning and appraisal decisions on the costs and benefits which will accrue to electricity consumers.
- 11.60-11.61 66. The value of contracts for plant and equipment placed by the CEGB has displayed large year-to-year fluctuations over recent years, as have its estimates of future plant and equipment requirements. The CEGB has made no systematic attempt to analyse the causes of these fluctuations.

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- 11.62 67. We recommend that the CEGB review its Plant Budgets and its pattern of orders for plant and equipment over the past five years. This review should be completed within six months.
- 11.64 68. The reviews which we recommend of its investment planning and of its plant and equipment orders and requirements should include an analysis of the implications for the CEGB's suppliers of uncertainty about its future purchasing requirements.
- 11.65 69. We think that, as a result of action under conclusion 68, the CEGB should be able to negotiate better terms with its suppliers in return for greater reliability and regularity of orders.
- 11.67 70. We support the CEGB's policy of inviting competitive tenders, if necessary from suppliers not previously invited to tender.
- 11.70 71. We found that the CEGB's general purchasing policy is satisfactory and that its relations with most of its suppliers are good.

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