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Keeping the Lights On:
Reliability and Reform in the UK Electricity Supply Industry

ABSTRACT

The reliability of electricity supply has long been a central concern in the UK electricity supply industry. This study examines how conceptions of reliability evolved from nationalisation in 1948 through privatisation in the late 1980s and early 1990s, focusing on the renegotiation of reliability within a newly competitive market. Drawing on oral history interviews and archival sources, the study explores how privatisation reshaped system management, regulatory oversight, and the role of centralised control in maintaining reliability. The findings suggest that rather than a straightforward transition from state planning to market-driven efficiency, reliability was actively redefined to accommodate new industry structures while preserving essential system stability. This research contributes to historical and organisational studies by highlighting the contested nature of reliability in complex industries. It also offers insights for contemporary energy policy, particularly in balancing market mechanisms with the infrastructural and operational demands of electricity supply.

Key Words: Risk, High-reliability Organisations, Electricity Supply Industry, Privatisation, Energy Policy

INTRODUCTION

The reliability of electricity supply has long been central to the operation and governance of the UK's electricity supply industry (ESI). From the nationalisation of the industry in 1948 to its privatisation in the late 1980s and early 1990s, the imperative to “keep the lights on” (Lean, 2018) has been an enduring concern, shaping organisational structures, regulatory mechanisms, and broader policy debates. Under nationalisation, this responsibility was embodied in the Central Electricity Generating Board (CEGB), which oversaw the generation and transmission of electricity and ensured system stability through a centralised, technically focused model of governance (Hannah, 1979). The CEGB's approach to reliability prioritised technical excellence and redundant supply capacity above all else, often at the expense of market efficiency and consumer choice (Helm, 2008). However, the restructuring and eventual privatisation of the ESI introduced new dynamics, shifting the focus from technical reliability to market-driven efficiency (Lean, 2021). This transition sparked considerable debate regarding whether market mechanisms could adequately maintain or even enhance the reliability of electricity supply.

The privatisation of the UK's electricity industry was part of a broader political and economic shift in the 1980s that sought to improve efficiency, promote competition, and reduce the financial burden of state ownership (Parker, 2012). As part of this transition, the CEGB was dismantled, and its responsibilities were distributed among new entities operating under competitive conditions. While proponents of privatisation argued that competition would drive innovation and efficiency (Newbery, 1999), critics contended that the profit motive could compromise system reliability, particularly in areas requiring long-term investment and coordinated planning or where market power was left to undermine system continuity (Helm, 2008). This, in turn, highlights the historical contingency of reliability, raising critical questions

about how its conceptualisation, maintenance, and adaptation have evolved within shifting organisational and regulatory frameworks.

Despite the underlying importance of reliability in electricity supply, much of the existing literature has focused directly on the electricity industry as a policy context (Parker, (e.g., Helm, 2008; Parker, 2012). While such a perspective offers valuable insights, it provides a limited understanding of how reliability was managed at the organisational level within the privatised ESI and how these practical considerations formed part of regulatory and system design. The concept of reliability offers a useful conceptual lens through which to explore these dynamics. High-reliability organisations, such as air traffic control systems and nuclear power plants, are characterised by their ability to sustain near-error-free performance despite operating in hazardous and complex environments (Bierly & Spender, 1995; Weick & Roberts, 1993). Their effectiveness is typically attributed to factors such as a balance between centralised and decentralised decision-making, organisational resilience, and a strong safety culture (Lekka, 2011). Similarly, the sense-making and negotiation associated with reliability and its relationship with risk capture social processes that underpin notions that are often naturalised as objective realities (Vaughan, 1996). Thus, applying reliability to the privatised UK electricity industry provides a means of understanding how reliability was transferred from a state-controlled system to a competitive market structure.

This study examines how conceptions of reliability evolved during and after the privatisation of the UK ESI. Rather than a simple subordination of reliability to market forces, the findings reveal that reliability was actively negotiated and redefined to accommodate new market structures while maintaining essential system stability. In particular, the study explores how centralised control elements of the CEGB's reliability framework were adapted within the privatised industry, how market structures introduced new constraints and contexts for reliability management, and how the need for certain forms of reliability often overrode

competitive ideals. Through a historical analysis informed by oral history sources and archival research, this study contributes to both the historiography of the UK electricity industry and theoretical debates on reliability and the management of risk within complex industries.

More specifically, the study contributes a detailed, industry-level historical account of the transition from a nationalised to a privatised electricity system, drawing on new oral history sources to offer insights beyond those found in policy records and economic analyses. Findings here suggest a more subtle transition, which emulated rather than rejected much of the old model of electricity supply. Second, it demonstrates how reliability evolves as a contested and negotiated concept shaped by shifting regulatory, organisational, and economic conditions. This developed the concept in two distinct ways, firstly by moving beyond risk as a temporally immediate threat and secondly by extending the organisational context within which reliability is enacted. Third, it sheds light on the broader implications of privatisation and market restructuring for risk and reliability management in essential infrastructure industries. In doing so, this study not only enhances our understanding of past energy transitions but also offers lessons relevant to contemporary debates on energy security, market regulation, and the governance of critical infrastructure in the face of emerging challenges such as climate change and geopolitical instability.

RELIABILITY IN ORGANISATIONS AND SYSTEMS

The conceptualisation of reliability in management and organisational studies primarily addresses operational contexts where failures can result in catastrophic, often life-threatening, consequences. In particular, high-reliability organisations are characterised by their ability to sustain near-error-free performance despite operating in hazardous and highly complex environments (Lekka, 2011). For instance, air traffic control systems, nuclear power plants, and naval operations maintain remarkably low failure rates despite constant exposure to high levels of risk (Bierly & Spender, 1995; Weick & Roberts, 1993). Indeed, the initial conceptual

puzzle stemmed from their ability to defy expectations in high-risk environments. In such contexts, incidents can escalate rapidly and unpredictably, giving organisations little time to understand, intervene, and contain the damage. Following this logic, accidents or failures are not aberrant but rather normal consequences of high-risk operational environments (Perrow, 2011). Moreover, because they are marked by interactive complexity (the predictability and visibility of interactions between system components) and tight coupling (interdependence among system components), centralised control and delegation of authority were seen as the primary mechanisms for minimising failure.

In contrast, high-reliability thinking emphasises the additional need for flexibility, decentralisation, and the role of transparent processes, safety culture, and continuous learning (Weick & Sutcliffe, 2015). As such, high reliability often paradoxically combines elements of centralised control with more adaptive, less hierarchical forms of control to manage risks effectively. There are several known organisational characteristics that distinguish high-reliability organisations. First, they balance hierarchical decision-making in routine operations with decentralised authority in emergencies, allowing expertise to dictate responses rather than rank (Lekka, 2011). This structural flexibility enables dynamic threat responses while preserving systemic stability. Secondly, redundancy through backup systems and cross-checks ensures failures are detected before escalation, reinforcing operational integrity. Finally, resilience emphasises how systems recover and adapt following an incident (Hollnagel et al., 2006). While reliability aims to prevent failures, resilience engineering promotes practices that enhance an organisation's capacity to rebound, often through fostering a "just culture" (Dekker & Breakey, 2016; Reason, 2000). In such cultures, errors are treated as learning opportunities rather than reasons for punishment, encouraging open communication and near-miss reporting. This approach is reinforced through continuous technical training, systematic audits, and

incident analysis, which create an up-to-date knowledge base from which risks can be effectively interpreted and mitigated.

More generally, Weick and Sutcliffe (2015) suggest five key principles that underpin reliability: preoccupation with failure, reluctance to simplify, sensitivity to operations, commitment to resilience, and deference to expertise. These principles reflect an organisational or system-level mindset that values constant vigilance and situational awareness. For example, a preoccupation with failure ensures that even small anomalies are taken seriously and treated as opportunities to learn and improve. Reluctance to simplify interpretations prevents organisations from overlooking complex causal relationships, while sensitivity to operations encourages frontline staff to share real-time observations, helping the organisation maintain a clear picture of its operational health. Deference to expertise—particularly in emergencies—ensures that those make decisions with the most relevant knowledge rather than those with the highest rank. Together, these principles foster what Weick and Sutcliffe (2015) describe as "collective mindfulness," allowing organisations to anticipate and manage unexpected events.

Despite their apparent objectivity, reliability and related considerations of risk are also the products of social construction and sense-making. In particular, what constitutes acceptable risk is socially constructed by various participating actors and control agents and dependent on various situational influences such as conflicting priorities, bounded rationality and organisational culture. In particular, Vaughan's (1996) research on the Challenger space shuttle disaster emphasised that risks relating to equipment failure were collectively interpreted and dialogically constructed in the lead-up to the launch. As such, what constituted an acceptable risk of failure was negotiated and redefined in the face of conflicting priorities. Moreover, accidents or failures can be constructed – often retrospectively - as wrongful if social control agents (e.g., a board of inquiry, health and safety authority or regulator) deem them to have derived from fault or recklessness (Palmer, 2012).

Similarly, what high reliability actually is in a given context depends on the multiple identities that co-exist within the high-risk contexts and co-constructed how reliability is interpreted and enacted (Vaz et al., 2024). Collective sense-making is also a critical component of reliability, as actors must interpret their position with a complex system, where consequences and dependencies are difficult to fully anticipate. This not only includes front-line operational personnel but also executives, market participants and non-market actors. Moreover, while high reliability has been primarily seen through the lens of contemporaneous accidents, there is scope for reliability in the present to prevent failures in the future (take, for instance, effective nuclear waste disposal). Despite these factors, complexities and coupling among system components have generally lacked either a temporal element or an acknowledgement of reliability outside of immediate operational risk contexts like health and safety.

Indeed, organisational and system reliability extends to broader systems, particularly in market environments, where financial stability and resilience directly impact day-to-day operations. In networked industries such as energy, market reliability is integral to their design, as the physical supply of utilities depends on a stable market and regulatory framework (Heuvelhof et al., 2009). Concerns over the potential incompatibility of markets and private interests with reliable supply even contributed to the nationalisation of energy industries in both the US and the UK (Hannah, 1979; Hausman, 2018). Similarly, the California Energy Crisis exemplifies the complex interplay between market and technical reliability, as regulatory flaws and market manipulation led to rolling blackouts despite the continued technical functionality of the grid (Benke, 2018; Nix et al., 2021). This highlights how reliability manifests in multiple, sometimes conflicting forms, shaped by context and the factors that can undermine it. The transferability of high-reliability organisation (HRO) principles to different sectors, such as healthcare, illustrates similar challenges. While redundancy and decentralised

decision-making can improve patient safety, they may also create inefficiencies or conflicts, necessitating adaptation to specific organisational structures, leadership commitments, and regulatory environments (Tamuz & Harrison, 2006). Ensuring reliability across different domains requires recognising these contextual complexities.

UK ELECTRICITY SUPPLY INDUSTRY

In the main, there are three substantive historical periods through which the electricity supply industry's evolution has been explored. The initial development and expansion of the industry saw the movement from regional government and electricity enterprises and partial geographical coverage in the nineteenth century to a centrally coordinated National Grid system by 1948 (Hannah, 1979). This nationalised structure brought with it the creation of several governing and administrative structures, the most significant of which was the British Electricity Authority (which would eventually become the CEGB). Hannah (1982) later followed his earlier history with one on the nationalised industry itself, emphasising the interface between engineering and managerial interests on the one hand and the burden of political and national interdependence on the other. In particular, this establishes the early dynamic between technical development and expansion encouraged within the industry and the influence of political control on its efficiency.

The industry's recent history has largely been examined through the broader lens of economic and industrial policy, particularly in relation to privatisation. Helm (2008), for example, analyses the latter period of nationalised electricity and its transition to a privatised structure as part of a wider study of UK energy policy, concluding that electricity privatisation was a qualified success within an already well-managed nationalised industry. Similarly, Parker (2009, 2012) situates electricity privatisation within the broader economic policies of late twentieth-century government. While more recent studies have provided valuable industry insights (Lean, 2018; Lean & Horrocks, 2017), existing accounts remain primarily focused on

the macro-political dimensions of privatisation, with limited attention to how key industry priorities, such as reliability, were reinterpreted in a market-based context. A notable exception is Lean's (2021) analysis of power station repair and maintenance, which alludes to the changing nature of reliability in the industry over time. This gap is significant, as reliability was not only a longstanding technical and operational concern but also a core justification for both state intervention and subsequent market reforms (Newbery, 1999). By examining how conceptions of reliability evolved alongside the introduction of competition—and, at times, came into tension with it—this study offers a more granular perspective on the industry's transformation, one that moves beyond top-down policy narratives to consider the practical consequences of market restructuring.

METHOD

This study uses oral history interviews to produce an analytically structured history of the UK electricity supply industry (Rowlinson et al., 2014). The following section summarises the sources used in the study and the process through which they were analysed.

Sources

The profile of oral history has increased significantly in recent years within both business history (Maclean et al., 2017) and management and organisation studies (Decker et al., 2021). It offers some notable benefits: (i) providing access to subjective experiences and lived realities of historical actors; (ii) extending historical narratives beyond documentation, thus offering insights into sensemaking about the past; and (iii) helping fill gaps in the historical record, challenging and complementing the versions of the past constructed through documentary evidence. This research primarily draws on the National Life Stories collection of the UK Electricity Supply Industry, published in 2015 (Horrocks & Lean, 2017). Comprising 530 hours of oral history interviews with 56 participants, the collection captures perspectives from

operational, managerial, and executive-level employees, as well as civil servants, ministers, consultants, and legal advisors involved in energy policy and implementation. By incorporating voices from both industry and non-market actors, this resource provides a nuanced understanding of how reliability was interpreted—an insight that would be difficult to reconstruct solely from documentary sources.

I also triangulated the oral histories with a number of archival collections and existing histories of the industry (Kipping et al., 2014). These were particularly useful for establishing events in the earlier periods of the industry's history, which were not captured by the oral histories, and also to establish key policy details and points where the industry was subject to government debates. While some published documents from organisations in the industry are accessible (e.g., inventory prospectuses and annual reports), there is a relative paucity of company archives relating to the energy supply industry, and the documentary sources primarily emphasise the state's bureaucratic and policy orientations. However, their affairs are captured in various archival collections, including the Papers of Lord Marshall of Goring (CEGB Chairman), held at the Churchill Archive in Cambridge and material from the Electricity Council collection held by the Museum of Science and Industry. Finally, the industry's public ownership and its role in economic and energy policy mean it is well represented in various collections with the National Archives.

Analysis

I started the analytical process by downloading the audio files for the ESI oral history collection from the British Library's website.¹ All files were then transcribed using *Trint*, an AI-assisted transcription software, and interview participants and their connection to the electricity

¹ Some months after downloading the audio files, the British Library was subject to a cyber-attack that rendered much of its online library inoperable, including the National Life Stories collection. At the time of writing, the files cannot be accessed publicly.

industry were collected and summarised (see Appendix A). At the same time, I familiarised myself with prior histories of the UK electricity supply industry through the secondary sources detailed above (Lipartito, 2014). Drawing on these, I developed some initial research themes from which I began the analytical process. One such theme was the apparent tension between the nationalised industry's emphasis on technical standards and the interest in economic efficiency that motivated privatisation (e.g., Helm, 2008; Lean, 2021). At this point, I categorised the oral history interviewees as low, medium, and high priority based on their likely relevance to this theme.

Presently, I began progressing through the high-priority interviews, manually reading and recording relevant details. This involved a coding process similar to open coding, listening to the audio recordings while simultaneously coding the transcripts for emerging themes (Miles & Huberman, 1994). Additionally, to reduce the chance of missing relevant insight from the remaining interview, I used Microsoft's AI tool, *Co-pilot*, to produce summaries of the remaining interviews along with time stamps (see Appendix B for an example). I reviewed these to identify isolated topics that warranted attention while also triangulating my findings with archival sources. Through a combination of this analytical process and regular consultation with conceptual literature on risk and reliability, I developed a conceptually informed interpretation of the industry's evolution structured around the different interpretations of reliability that guided the industry through much of the twentieth century.

The following section presents the preliminary outcomes of this analytical process, structured around three key phases of reliability. Following a brief historical contextualisation, the first phase narrates reliability as seen through the CEGB's 'obligation to supply', a responsibility managed primarily through centralised control. In the second phase, the push for greater efficiency through privatisation introduces market-based considerations, adding a new context for reliability while also necessitating a reconfiguration of centralisation. Finally, the

third phase sees a renewed focus on market structure, this time in response to tensions arising from the tension between centralised control and market reliability.

(PRELIMINARY) FINDINGS

As a fully unified, publicly owned system, the energy supply industry began with nationalisation in 1948. However, significant steps toward centralisation had already occurred in the 1920s and 1930s, particularly with the establishment of the Central Electricity Board (CEB) in 1926 and the construction of the National Grid between 1927 and 1933. Before these reforms, electricity generation and distribution had developed in a fragmented manner, shaped by the technological advancements and commercial expansion of electrification from the latter nineteenth century onward. As demand for electricity connections grew, local authorities and private enterprises established generation plants (primarily coal-fired power stations) and built local transmission networks to supply businesses and domestic consumers (Hannah, 1979). This organic expansion was largely concentrated in cities and industrial regions, where both demand and financial viability were highest. By the end of the First World War, Britain had an extensive but disjointed electricity supply system, with over 600 independent suppliers operating nationally.

The creation of the CEB under the Electricity (Supply) Act 1926 marked the first significant step toward a centrally coordinated electricity system. The CEB was not a nationalising body but held powers to rationalise the generation and distribution of electricity by enforcing supplier interconnections. Between 1927 and 1933, it oversaw the construction of the National Grid, a 132kV transmission network that linked power stations across England, Scotland, and Wales, reducing inefficiencies and improving supply reliability. The CEB also encouraged the closure of small, inefficient power stations in favour of larger, more efficient plants, further helping to stabilise supply. However, while the National Grid provided a degree of centralised control, electricity generation and distribution remained in the hands of a mix

of municipal authorities, private companies, and regional suppliers. As a result, inconsistencies in service provision, infrastructure duplication, and long-term planning limitations persisted, and many rural areas still lacked access to electricity.

Centralised control and the ‘obligation to supply’

Beyond the drive for modernisation, nationalisation in 1948 was closely linked to concerns over the reliability and future capacity of electricity supply, particularly in the post-war period of economic recovery and industrial expansion. The disconnected governance structure of the electricity industry still hampered coordinated investment and long-term planning, while post-war growth placed additional strain on existing infrastructure. Policymakers recognised that both short-term remedial action and long-term strategic oversight were necessary to ensure a stable and efficient power supply. In this context, three key forms of reliability come to represent the industry’s ‘obligation to supply’ (see Figure 1). First, capacity planning ensured that generation infrastructure would continue to meet growing demand; second, operational continuity emphasised minimising disruptions and improving safety across the grid; and thirdly, fuel security sought to guarantee a stable supply of primary energy sources, particularly coal. These principles shaped the direction of post-war electricity policy, reinforcing the rationale for nationalisation and the creation of the British Electricity Authority (BEA) in 1948, bringing generation, transmission, and distribution under state control for the first time and representing the industry’s first period of high reliability.

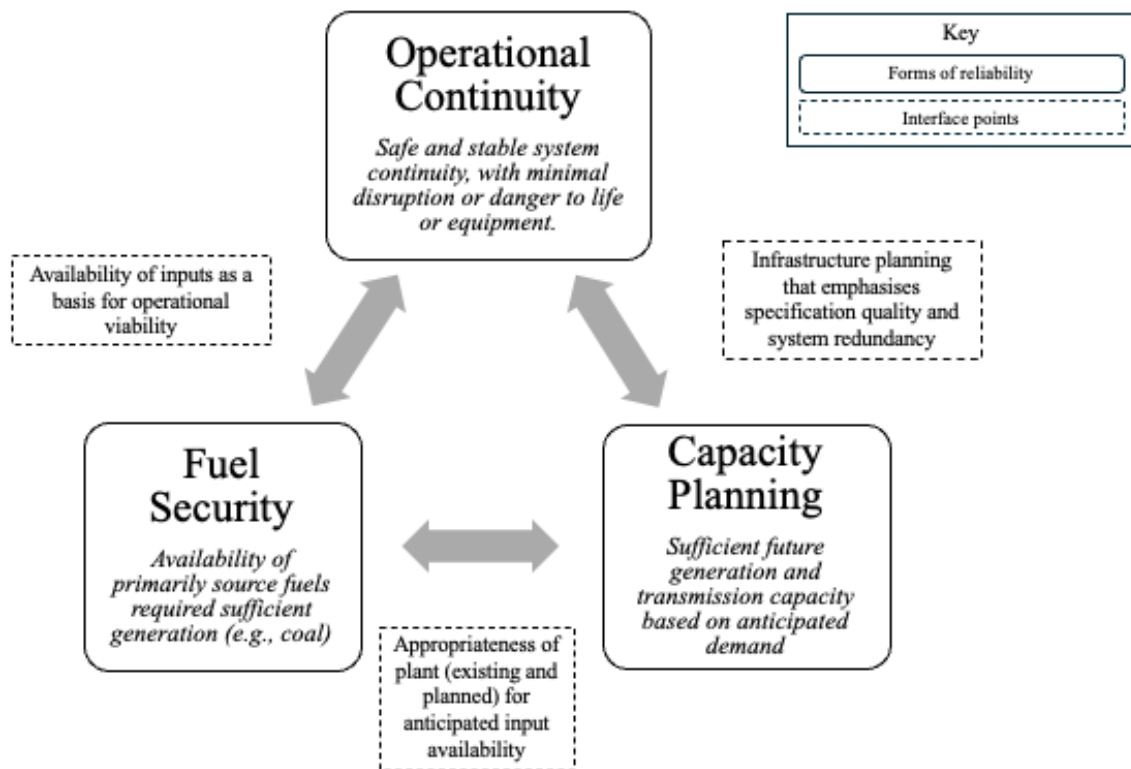


Figure 1 – Forms reliability under the CEGB-controlled nationalised structure.

Operational continuity characterised the overarching system of real-time risk mitigation under which the ESI operated. More than any other reliability consideration, this was designed to minimise threats to life or system operability (Lean, 2021). As technical organisations, both the CEGB and the Area Electricity Boards (AEBs) embodied this priority across various operational contexts through a combination of health and safety and incident prevention. While these were undoubtedly concerns in their own right, they were closely tied to the fact that incidents often damaged or necessitated the disruption of relevant infrastructure, thus limiting the grid’s generation and transmission capacity. Indeed, accident inquiries within the CEGB had executive power to suspend a plant’s operations indefinitely. However, aligning with the notion of a ‘just culture’ (Reason, 2000), investigations emphasised fact-finding over the apportionment of blame: “[N]ever, ever, when you set that [CEGB] board of inquiry up, did you start by looking for blame. Your job was purely to establish, quite clearly, the facts of the case, what gave rise to the incident and the accident [...]” (Jefferies, C1495/23).

While fuel security had been a perennial concern before nationalisation, it became an increasingly prominent issue in the 1970s, driven by both domestic industrial disputes and global energy crises. The UK's electricity industry was legally obligated to source its coal from British suppliers, making it vulnerable to NUM-led strikes, particularly in 1972, 1974, and 1984–85. The Three-Day Week (1974), imposed by Edward Heath's Conservative government, was a response to coal shortages caused by industrial action, creating an external cause for electricity interruption despite uninterrupted internal system reliability. Indeed, the then Chief Engineer of the Southern Electricity Board recalled how the three-day week created new operational reliability concerns for suppliers, as they had to ensure the planned outages imposed on them by the CEGB would not endanger vulnerable consumers or impede critical industries:

[My job] was to make sure we thought through very clearly the way in which all the rotor disconnections were going to be worked and applied. So, for example, the importance of keeping hospitals on supply, the importance of trying to understand in our system, people who would be totally dependent upon electricity for, perhaps, apparatus that kept them alive even in their own homes, recognising where they were had to water. So I'm talking about right from the or individual right the way through to the industries that had to be protected because of the role that they performed in producing equipment or goods that was absolutely essential. (Jefferies, C1495/23/3)

Thus, at the interface between fuel security and operational continuity, high reliability manifested as attention to system complexity and failure mitigation, ensuring that planned outages did not threaten dependent critical systems and thus create unintended or extreme negative consequences.

Beyond real-time operational continuity, reliability was closely tied to long-term capacity planning. For the CEGB, in particular, power stations and transmission infrastructure represented long-term investments, requiring demand forecasting decades in advance. As Cecil Parkinson recalls, “[...] Lord Marshall used to remind me all the time, he had the obligation to supply. So if he felt we needed another power station because we were running short of capacity, he had the right to say, ‘Look, you can send me to jail if the lights go out, but in my

opinion, we need this.” (Parkinson, C1495/21/1). In this sense, the obligation to supply not only applied in the present but extended years into the future. If demand exceeded available generation capacity, blackouts and energy rationing became risks with limited short-term solutions—as seen in the early post-war period. To mitigate this, the CEGB always aimed to maintain a significant overcapacity of generation, particularly in the 1950s and 1960s. However, they were not entirely immune from the economic realities of operation with such a high level of operational redundancy, and by the 1970s, financial inefficiencies created by excess capacity and ageing plants necessitated a significant decommissioning programme. Even here, the process emphasised cautious protection of available capacity, as condemned plants were required to remain operationally viable through the decommissioning process despite the slim chances of being called upon (Jefferies, C1495/23).

The escalating risks associated with coal supply also accelerated investment in nuclear power as an alternative source of input security. However, despite significant state investment, nuclear never scaled up sufficiently to replace coal as the primary fuel for electricity generation. Instead, the CEGB’s strategy relied on stockpiling coal (Marshall, GBR/0014/MRSL/C.36), a measure that proved critical during the 1984–85 miners’ strike (Lawson, C1495/40). CEGB Chairman Walter Marshall was widely credited for maintaining power supplies during this period, with Prime Minister Margaret Thatcher personally recognising his role in “keeping the lights on” (Parkinson, C1495/21/1). Thus, while the relationship between the ESI and the Coal Industry was one mediated through national politics, the CEGB was instrumental in actually delivering adequate fuel security. Not least, such concerns were inherently tied to capacity planning, as plants designed to run on fuel sources that became scarce or unreliable undermined system reliability. Indeed, it was partly the desire for long-term fuel security that had made Marshall such a strong advocate of nuclear power,

which had neither the industrial relations issues nor the need for continual replenishment that came with coal.

Towards economic efficiency and the translation of centralised control

By the mid-1980s, however, the Conservative government's programme of privatisation across the nationalised industries was well underway. In addition to various, often obscure, state-owned commercial entities, the large-scale privatisation of the telecommunications and gas industries was largely complete (Helm, 2008). Despite having been identified as a favourable target for privatisation years earlier under Nigel Lawson's time as Energy Secretary (Lawson, C1495/40), the ESI had received a stay of execution under Peter Walker. A less fervent agent of privatisation, Walker had limited his efforts to the gas industry and, even then, left British Gas intact, directly transplanting the nationalised structure into private ownership. Nonetheless, the ESI's anticipated demand increases compared to deciding industries and relatively high prospects for competition had long made it the logical economic option (Littlechild, C1495/56). This rationale, combined with high levels of capital employed (c. £32 billion), which made the prospect of selling it to investors both viable and attractive, meant that by the 1987 General Election, a pledge for its privatisation had made it into the Conservative manifesto. With the election won and a mandate secured, privatisation at this point was seen as inevitable by most, with only its design and structure representing a substantive matter for debate.

While economic efficiency via competition represented the driving motivation for privatisation, the industry structure that materialised from it was born of more diverse interests. Many of these—pensions, allocation of senior roles, and assurances of job security—were bound up with the personal security of individuals and groups within the industry. Others related to historical dynamics between the CEGB, Electricity Council, and the Regional Area Boards. Beyond these, however, one of the most pressing practical hurdles for privatising electricity

was how to manage a reliable interface between the market and physical spaces that a (competitive) privatisation of the industry would produce. As Fiona Wolff recalled from her time writing the rules for grid operations,

“So it's engineering and physics, and you have to make sure that people behave in a way that doesn't actually ‘fry the lines’, as we used to call it. And as far as the market rules were concerned, that's obviously market economics, but [also] an overlay with the laws of physics. There were certain things which the system operator can't do at short notice because, during the last minutes and in real-time, you have to make sure that supply and demand balance exactly with stuff you can't store.” (Wolff, C1495/47)

This tension between, on the one hand, allowing market economics to dictate supply and demand and, on the other, ensuring that the system remains balanced and safe would preoccupy many of the technical design considerations involved in privatisation, as well as having a significant impact on the industry's eventual structure.

At the heart of the issue was the question of centralised control. For many, centralised control would be lost once the control of the grid was separated from control of generation (as had been the case under the CEGB), a problem captured by Brian Pomeroy, chair of the ‘Pomeroy’ committee responsible for designing the new privatised structure:

[V]ery often, we were told, ‘Well, you know, the risk is the lights go out. You know, at the moment, we invest public money to a certain standard of security’ (That's security meaning the one in how many years the lights will go out.) ‘We have the national grid, which is controlling everything. And if one machine isn't available, there's always another one to be called in. How are you going to do that within a contractual framework’ (Pomeroy, C1495/48)

The answer to this question comes, at least in part, from the fact that far from abandoning centralised control entirely, the new system retained a centralising organisation in the form of the National Grid. Within the CEGB, the grid was an infrastructural entity, albeit one of vast scale, and was therefore organisational indistinct from the CEGB. Under privatisation, it would be incorporated as the National Grid Company, initially as an autonomous holding company owned by the Area Boards. This separated it from the CEGB's generation elements, which would be privatised as two separate utilities, National Power and Power Gen. The effect was

to create competition among generators while leaving transmission and system coordination within a regulated monopoly. The National Grid would then manage the transmission as a neutral party on behalf of competing market participants and ensure continuity of supply through a ‘pool’ market, whereby bids to supply electricity were called upon meritocratically based on price.

While this structural change had divorced generation from overall system operation in the way some had feared, it allowed designers to translate many of the old systems processes and practices and ultimately preserve a level of centralised control. One of the most striking examples of this was the National Grid’s control room, which was deliberately designed to resemble its predecessor under the CEGB. As Brian Pomeroy explained, “we wanted something that really replicated in an operational sense, what was there before.” While the system transitioned from a cost-based model to a market-based one, visual and procedural continuity left the operational routines intact; previously, operators saw a number representing cost, but now they saw a number representing price, with the underlying merit order dispatch process largely unchanged. Maintaining this familiarity was so crucial that a proposed two-pool model—one market for distribution and another for generation—was ultimately rejected because it would have required too much adaptation. Instead, the single-pool system was adopted as a pragmatic solution. As Pomeroy’s account reflected: “it probably wasn’t the absolute optimum system, but it was one that everyone could see would work basically on day one. And that was the key point.” This approach ensured that market mechanisms could be introduced without disrupting the essential functioning of the grid.

One of the simpler transitions of reliability responsibility, at least in principle, was fuel security, which was transferred to the new generators. This shift made both technical and market sense, as these organisations inherited the CEGB’s power-generating assets, making fuel an internal operational input rather than a system-level concern. Consequently, they were

expected to manage their procurement, as would any private enterprise. From a market perspective, this also placed an imperative on generators to seek low-cost fuel options and diversify their sources (e.g., gas) to remain competitive. High fuel costs translated into higher bids in the pool, reducing the likelihood of winning business. Additionally, fuel security had been superseded politically by the viability of British Coal in general and the Union of Democratic Mineworkers (UMD) in particular. The latter had split from the NUM after the 1984–85 strike, and to prevent a sudden collapse of the coal industry, the government imposed a three-year obligation for generators to purchase British coal following privatisation (Parkinson, C1495/21/1). While this measure offered short-term stability, it was focused on protecting the mining industry more than the electricity industry's fuel security. Moreover, with commercial generators already eager to transition to cheaper international alternatives, any industrial action would jeopardise the grace period enforced upon them by the new regulations.

In contrast, perhaps the most controversial aspect of the new structure was the limiting of any long-term obligation to supply. As Littlechild notes, apportioning discrete responsibility for capacity planning in a competitive landscape was inherently problematic:

The realisation was that if you gave the two generating stations an obligation to have enough plant on the system, they would say, "Well, if it's our duty to do that, we can't have other people getting in the way and providing their capacity, because if they say 'we're going to build a station' and they don't, then we are left with the responsibility and a shortage and it's our fault and we'll get penalised for it. But if we build just in case they don't turn up, but they do build, they'll come on the system and displace our generating capacity. So we'll have surplus capacity, and we'll get blamed for having built too much." This ain't going to work. So, the general view was to take this obligation to supply away from the generating stations.
(Littlechild, C1495/56)

However, the same circumstance was true for the Area Boards, who would argue that competition would void their demand predictions and, thus, any reasonable basis for meeting their responsibility. The comprises was that National Grid would take on the obligation to supply, but that this would not include the commissioning of new generation capacity. Instead, they had a duty to ensure available generation was integrated into the system and to use market

mechanisms to encourage supply and demand shifts should sudden changes necessitate it. While this still translated elements of the capacity planning seen under the CEGB, it did so in a way that materially shorted the time horizon upon which any organisation was required to consider long-term reliability. As the Board Security to the Electricity Council put it, “[t]here was [historically] somebody responsible for keeping the lights on. The privatisation structure didn't designate anybody to give that duty. And that's why we're in trouble today. Because nobody was given the obligation to look into the future” (Savinson, C1495/24).

Market reliability and drive for further decentralisation

Ultimately, the initial privatisation process resulted in an outcome shaped by the short timetable imposed on the legislative and design process, as well as the numerous compromises made to ensure a relatively smooth implementation (Helm, 2008). For the sake of simplicity and to ensure timely continuity, the new industry of the early 1990s closely resembled the old one: the grid remained centrally managed by a single organisation and served as the sole market for the two generators to trade within. While electricity generation and transmission were no longer internal functions of the same organisation, their externalised market equivalent meant that, operationally, little had changed. Generators could still only produce electricity when instructed by the National Grid, and with no provision for bilateral contracts, the pool was the basis for trading wholesale electricity. Moreover, the pool system introduced market incentives that encouraged generators to make operational decisions traditionally dictated by internal command and control. Actions such as increasing supply during shortages or reducing generation in periods of excess were monetised, and compensation payments were provided when grid stability requirements prevented generators from running.

One of the most notable changes was the creation of the Office of Electricity Regulation (OFFER), led by economist and academic Stephen Littlechild. Having built his academic and advisory career on advocating for competitive markets over nationalised industries, Littlechild

played a key role in shaping the type and design of privatisation applied to the electricity supply industry (ESI). In particular, he had sought to avoid the monopoly-style privatisation previously seen with British Gas. With this achieved, OFFER's primary responsibility was to facilitate competition that the break up on the CEGB had allowed, first between generators and, in time, among the suppliers, as their 'areas' were opened up to retail competition. In the years immediately following privatisation, Littlechild primarily pursued this mandate by diluting the market share of the two incumbent generators, British Power and Power Gen, which the public was quickly coming to consider a duopoly. This he achieved, but the ultimatum of a Monopolies and Mergers Commission review or the selling of plant (Littlechild, C1495/56).

Indeed, while the Pool was successful in ensuring that power flows in the system and the quality of supply remains within acceptable limits (Jefferies, C1495/23), the issue of market reliability would ultimately characterise the immediate regulatory shakeout after privatisation (Green, 1999). In Littlechild's view, the problem was that while the pool offered price transparency, this also made price setting easy to coordinate and enforce. By contrast, bilateral contracts, signed in private, were harder for generators to enforce, particularly as competition from new entrants increased. Another of Littlechild's issues with the pool was that it represented only 'half a market' in that while there was competition among generators, there was not an open market in which to trade. Moreover, the National Grid anticipated demand rather than allowing it actually to dictate prices:

It seemed to me a situation where the national grid was, in effect giving the orders. It would decide how much they needed on the system on which plants ran. And that sounded to me like an extension of the previous CEGB. The previous CEGB was this was responsible for deciding what plants to build, where to build them, and when to run them. Now, of course, generators were deciding what plants to build and where to build them, but National Grid was still telling people generators when to run. And I didn't like that element of centralisation. Littlechild, (C1495/56)

In contrast, Littlechild preferred a system in which "the generators told the National Grid that they were jolly well going to run, and could they please put them on the system."

This challenged a fundamental assumption of electricity supply that had persisted even through privatisation—namely, that a centralised and coordinated authority must act as a nexus within the system to balance supply and demand while ensuring overall operational continuity.

The solution arrived at by 1998 was to retire the pool and replace it with the New Electricity Trading Arrangements (NETA), which introduced a system designed to function more like a conventional commodity market. Unlike the pool, which relied on a centralised, single-price auction, NETA established a system of bilateral trading in which electricity could be bought and sold directly between parties at negotiated prices. This structure enabled a range of forward markets, allowing transactions to take place weeks, days, or even just 24 hours ahead of delivery. Additionally, real-time adjustments were facilitated by the National Grid, which could buy or sell small amounts of electricity as necessary to balance supply and demand. By prioritising market reliability, NETA sought to reduce inefficiencies associated with the Pool's centralised price-setting mechanism while fostering greater competition and price responsiveness. Crucially, it removed the capacity payment mechanism, which had previously incentivised generators to maintain excess capacity regardless of actual market demand. Instead, system reliability was maintained through a balancing mechanism, whereby generators and suppliers submitted their contracted positions ahead of time, and the National Grid managed any shortfalls or surpluses through a balancing market. This approach aimed to ensure operational continuity while minimising distortions in price signals, ultimately reinforcing the principles of competitive, market-driven electricity trading, rejecting the principles of centralised control that had served the initial privatisation process.

CONCLUSION

This study provides new insights into the history of the electricity supply industry, demonstrating how reliability was interpreted and embedded within its organisational structures, system operations, and design. An initial focus on centralised control ensured

reliability in terms of operational continuity, fuel security, and capacity planning, with elements of these persisting long after privatisation. However, over time, increasing emphasis on market-driven mechanisms reshaped how reliability was understood and maintained. By tracing this shift, the study contributes to a broader theoretical understanding of reliability, which has traditionally been viewed through the lens of discrete and contemporaneous operational settings. While this dimension was important, reliability in the electricity industry extended beyond immediate operational concerns to include service provision and long-term capacity planning—both of which carried significant economic and social consequences.

The ESI's complex relationship with reliability and centralised control has persisted into the twenty-first century. The 2008 Energy Act reintroduced elements of central planning to support the transition to renewables, particularly through stricter controls on fossil fuel plant decommissioning. While some argue that this has hindered investment in new capacity, others contend that weak market incentives for long-term planning have been a greater obstacle. More recently, the war in Ukraine has underscored the vulnerabilities of energy markets to geopolitical shocks. The resulting surge in prices pushed thousands into fuel poverty and led to the collapse of nearly all non-major suppliers, reigniting debates over the resilience of the UK's energy system. As policymakers navigate the transition to renewables, they must balance sustainability goals with the need for reliable and affordable supply.

The evolution of the electricity market since privatisation reflects these ongoing tensions between market liberalisation and system reliability. NETA, introduced in 2001 to replace the Pool, sought to enhance competition and transparency through bilateral trading and real-time balancing. While it succeeded in lowering wholesale prices and improving trading efficiency, its reliance on market mechanisms raised concerns over long-term investment and security of supply. Smaller and renewable generators, in particular, struggled within this system, necessitating later reforms such as the British Electricity Trading and Transmission

Arrangements (BETTA), which extended the principles of NETA and the introduction of a Capacity Market for future generation planning. As the UK continues to reshape its energy market in response to climate goals and geopolitical pressures, these historical lessons remain crucial. The challenge remains to design a market structure that fosters investment, ensures supply security, and supports sustainability in an increasingly volatile global context.

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APPENDICES

Appendix A – Summary of Oral History Collection

Collection Ref.	Name	Details	Hours
C1495/10	Alan Plumpton	Area Board commercial engineer; Chairman of LEB; Deputy Chairman of Electricity Council.	8.5
C1495/55	Alison Simpson	SSEB commercial and operations engineer.	9.5
C1495/52	Andy Spurr	CEGB, Nuclear Electric and British Energy nuclear engineer and manager; CEO EDF Generation UK.	11.5
C1495/20	Arthur Fowkes	CEGB transmission design and operations; CEGB Systems Operations Engineer; Technical Director of National Grid.	22
C1495/18	Brian George	Design engineer at English Electric; CEGB Sizewell B Project Director.	9.5
C1495/35	Brian Moore	Power station maintenance staff.	3.5
C1495/48	Brian Pomeroy	Consultant, Touche Ross advisor to DoE on privatization.	1
C1495/17	Bryan Edmondson	Scientist, Director of CEGB Berkeley Nuclear Laboratories, and Director of CEGB Nuclear Operations Support Group.	14.5
C1495/06	Bryan Townsend	Area Board engineer and manager; Chairman of MEB.	8
C1495/21	Cecil Parkinson	Secretary of State for Energy (1983-87)	1.5
C1495/28	Colin Gronow	Economist, SSEB commercial engineer, CEGB operational research, Electricity Council, Marketing Adviser, Commercial Adviser, Central Member for Engineering, Marketing and Research.	10.5
C1495/23	David Jefferies	Area Board engineer; CEGB Personnel Director; Chairman of LEB; Deputy Chairman of Electricity Council; Chairman of National Grid.	19.5
C1495/43	David Williamson	NORWEB, Area Board electrical fitter and foreman.	15
C1495/34	Don Marshall	Power station maintenance staff.	3.5
C1495/16	Donald Miller	Chief Engineer of NSHEB; Chairman of SSEB.	9
C1495/27	Ed Wallis	CEGB generation engineer and manager; CEGB System Operations Engineer; CEO Power Gen; Chairman of NERC.	18.5
C1495/47	Fiona Woolf	Lawyer, National Grid's legal advisor on privatization.	1

C1495/04	Francis Tombs	GEC engineer; Chairman of SSEB and Electricity Council.	10.5
C1495/13	Frank Davenport	Engineer at CEBG Transmission Design and Construction Division; Engineering Advisor to Electricity Council.	9.5
C1495/01	Frank Ledger	CEGB generation and transmission engineer and manager; CEGB Director of Operations; Deputy Chairman of Nuclear Electric.	15
C1495/03	Glyn England	CEGB planning engineer, manager; Chairman of SWEB and CEBG.	12
C1495/09	Granville Camsey	CEGB generation engineer and manager, Managing Director of National Power operations.	18
C1495/11	Ian Preston	Chairman of SSEB; Director General of CEBG Generation Design and Construction Division.	5.5
C1495/30	Jack Taylor	Area Board commercial engineer; Electricity Council Marketing Adviser.	7.5
C1495/14	John Baker	Civil service; Deputy Chairman CEBG; CEO and Chairman of National Power.	16.5
C1495/02	John Duckworth	Scientist and manager at UKAEA, BEA, and CEBG.	9.5
C1495/53	John Edmonds	General Secretary of GMB trade union.	13
C1495/45	John Harris	Area Board engineer, Chairman of East Midlands Electricity Board.	13
C1495/08	John Lyons	General Secretary of EPEA trade union.	5.5
C1495/22	John Wakeham	Secretary of State for Energy (1989-92)	1.5
C1495/19	John Wooley	CEGB national Fuel Supplies Officer.	11.5
C1495/57	Juliet Davenport	CEO of Good Energy.	1.5
C1495/36	Kevan Gee	Power station operations staff.	5
C1495/25	Michael Gammon	CEGB planning engineer, Director of CEBG Generation Development Branch.	10
C1495/39	Mike Butterfield	LEB, Area Board engineer.	7
C1495/44	Mike Kay	NORWEB, Area Board engineer and Technical Director.	15
C1495/46	National Grid Control Engineers group	Group interview of National Grid operations engineers. (Philip Johnson, Barry Gee, Les Clarke, Steve McKenzie, John Jones, Derek Newman)	3.5

C1495/32	Nick Winsor	CEGB systems operations, Technical Director of National Grid.	3
C1495/40	Nigel Lawson	Secretary of State for Energy (1981-83)	1
C1495/31	Norman Holland	CEGB and National Power engineer and manager.	13
C1495/58	NORWEB industrial staff group	Group interview with NORWEB linesmen, fitters, labourers, jointers, electricians. (Paul Booth, Stephen Booth, Wayne Sidderly, David Williamson)	3
C1495/38	Peter Billam	CEGB generation design engineer and manager.	12.5
C1495/15	Peter Chester	Scientist and Director of CEGB Central Electricity Research Laboratories, Leatherhead.	8.5
C1495/51	Peter Vey	Director of Public Relations, CEGB/UKAEA.	12.5
C1495/50	Peter Webster	CEGB, Nuclear Electric and British Energy engineer and manager.	10
C1495/54	Phil Luxton	CEGB and National Power engineer and manager.	14
C1495/42	Philip Johnson	National Grid operations engineer and manager.	14
C1495/24	Richard Savinson	Lawyer, Board Secretary to Electricity Council.	2
C1495/37	Robert Hawley	Managing Director of Parsons and NEI plc.	3.5
C1495/07	Roger Farrance	Industrial Relations Advisor at Electricity Council; CEO Electricity Association.	12.5
C1495/41	Roger Vaughan	Nuclear design engineer, Chief Engineer of the Nuclear Power Plant Co and The Nuclear Power Group.	13
C1495/12	Sam Goddard	CEGB transmission planning engineer, CEGB Director of Systems Planning.	7
C1495/56	Stephen Littlechild	First Director General of Office of Electricity Regulation (1989-1998). Also an academic at Graduate Centre for Management Studies at UoB and student of Alan Walters.	9
C1495/29	Terrence Boley	Area Board engineer; CEGB planning economist; Electricity Council Commercial Adviser and Central Director of Corporate Planning.	11.5
C1495/26	Tom McNerney	CEGB nuclear power engineer and manager; Managing Director of NIREX.	11.5
C1495/33	Willy Rickett	Senior civil servant, Department of Energy.	11.5

Appendix B – Example (Partial) of AI-produced Transcript Summary

Littlechild-Stephen-4-of-7--An-Oral-History-of-the.mp3.docx

Recap of Privatisation by 1987

- **[00:00:01]**: By 1987, privatisation was not only a possibility but a probability and increasingly government policy. The introduction of the RPI-X formula by Littlechild provided companies with incentives to be more efficient.

Early Structures for Privatised Electricity Industry

- **[00:02:14]**: Discussion on potential structures for a privatised electricity industry, including splitting up the Central Electricity Generating Board (CEGB) into multiple companies.

Newnham Park Seminar and Options for Privatisation

- **[00:05:00]**: Seminar at Newnham Park to discuss how to privatise the electricity industry. Three main options (B, C, and D) were considered, with Option A (privatising the industry as it was) ruled out.
- **[00:06:52]**: Option B involved keeping 70% of generating stations with the CEGB and selling off 30% as a new company. Option C was similar but transferred the grid to the joint ownership of area boards. Option D proposed breaking up the CEGB into five companies but included a twist where nuclear stations would be jointly owned by these companies.

Challenges with Nuclear Privatisation

- **[00:09:02]**: The Prime Minister's strong view on privatising nuclear influenced the options considered. Littlechild found the competitive option (Option D) implausible due to the joint ownership of nuclear stations.

Seminar Atmosphere and Decision-Making

- **[00:11:24]**: The seminar included key figures from the Department of Energy, merchant bank advisers, legal advisers, and junior ministers. The atmosphere was optimistic but constrained by the nuclear issue.
- **[00:12:12]**: A secret vote favoured Option D, but Littlechild voted against it due to its implausibility. The formal decision was to go with Option C.

Preferred Option and Issues with the Grid

- **[00:15:38]**: Littlechild's preferred option was to keep nuclear stations in the public sector until they could be made efficient and profitable for privatisation.
- **[00:17:36]**: Discussion on who should own the grid and whether it should purchase power from generating stations or run a market where generators could bid.

Summary continues...