



SCOTTISH OFFICE  
WHITEHALL, LONDON SW1A 2AU

CONFIDENTIAL

*Prime Minister*

*Agree the proposal in para 5  
on coal imports (subject to  
Mr. Howells' views)? It seems  
sensible.*

*Agree out*

Prime Minister

FUEL STOCKS AT POWER STATIONS

*TL 12/6*

*Flag*

1. In the light of the minute of 31 May from the Secretary of State for Energy about the need to increase coal stocks at CEGB power stations, you should be aware that the South of Scotland Electricity Board (SSEB) is in even worse position.
2. Largely as a result of coal production in Scotland last winter falling short of target, stocks at SSEB power stations are some 30% below the desired level at this time of year. SSEB has undertaken to purchase all the suitable coal which can be supplied by the Scottish Area of the National Coal Board in the current year, but this will be insufficient to ensure that the Board starts next winter with the required level of 9 weeks' stock. NCB has offered an additional 0.25m tonnes of coal from the North East of England. This is, however, to be considerably more expensive than Scottish coal - a crucial consideration from the Board's point of view since it will be seeking to keep to a minimum the tariff increases which will be necessitated by the forthcoming general increase in coal prices and our proposed cut in its cash limit - and there may well also be transportation difficulties as a result of the closure of the East Coast rail line.
3. In these circumstances SSEB is exploring the possibility of importing upwards of 0.25m tonnes of coal at a price comparable to that of Scottish coal. The Board has informed my officials of its intentions in this respect and is awaiting a Government response.
4. The damaged reactor at Hunterston B power station is expected to be back in full service in 1980 and the Scottish Boards will also begin to benefit in that year from the burning of gas in the North of Scotland Hydro-Electric Board's new station at Peterhead. It is unlikely, therefore, that the necessity to import coal will continue into next year.
5. Subject to the views of Department of Energy Ministers with whom this matter has been raised separately, my inclination would be to inform SSEB that we will not stand

in the way of imports during the current year, provided that we are consulted further by the Board before any contract extending beyond the current financial year is entered into or if imports during the current year seem likely to exceed 0.5m tonnes.

6. I am copying this minute to the Secretaries of State for Energy, Industry and Employment, the Chief Secretary, the Minister of Transport and Sir John Hunt.

C.H.

Scottish Office  
11 June 1979



10 DOWNING STREET

*From the Private Secretary*

13 June 1979

FUEL STOCKS AT POWER STATIONS

The Prime Minister has read your Secretary of State's minute of 11 ~~June~~ about coal imports for the South of Scotland Electricity Board. Subject to Mr. Howell's views, she agrees that the SSEB should be informed that the Government will not stand in the way of imports during the current year with the provisos set out in paragraph 5 of the minute.

I am sending a copy of this letter to the Private Secretaries to the Secretaries of State for Energy, Industry, Employment, the Chief Secretary, the Minister of Transport, and to Sir John Hunt.

T. P. LANKESTER

Kenneth MacKenzie, Esq.,  
Scottish Office.

BSG