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NOTE OF A MEETING TO DISCUSS THE HEYSHAM II AND TORNESS ADVANCED
GAS-COOLED REACTORS, HELD AT 10 DOWNING STREET ON 3 APRIL 1980

Present:

The Prime Minister
The Secretary of State for Industry
The Secretary of State for Energy
The Chief Secretary, Treasury
The Parliamentary Under-Secretary of
State, Scottish Office (Mr. Fletcher)
Mr. J. R. Ibbs, Head of the Central Policy
Review Staff

Secretaries:

Sir Robert Armstrong
Mr. P. Le Cheminant
Mr. G. D. Miles

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The Prime Minister recalled that the possibility of cancelling or deferring one or both of the nuclear power stations under construction at Heysham II and Torness had arisen in the context of the problems faced by the electricity supply industry in meeting its External Financing Limits (EFLs). The Central Policy Review Staff had reported to E Committee on 24 March (E(80)11th meeting, item 3) their view that the two stations should be allowed to go ahead as planned. The Committee had however felt that further information was needed before a decision could be taken and had remitted the question to the present small group of Ministers under her chairmanship. As an aid to the discussion officials from the Departments most closely concerned had produced a factual report circulated to those present under cover of a minute from the Secretary of the Cabinet dated 2 April.

The Secretary of State for Energy said that although he shared misgivings about the capability of the electricity supply industry, the options open to Ministers on the Advanced Gas-Cooled Reactor

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CONFIDENTIAL

CONFIDENTIAL

- 2 -

(AGR) programme were severely limited. The Secretary of State for Scotland had pointed to the particular difficulties of cancelling the Torness station on which considerable sums of money had already been committed. Cancellation of Heysham II would cost less although a decision to do this would increase rather than decrease expenditure by the Central Electricity Generating Board (CEGB) in 1980/81. The South of Scotland Electricity Board were known to be unhappy at the prospect of proceeding with the Torness station on its own which would inevitably increase costs which would otherwise have been spread across the two stations. On balance he thought that the CPRS advice should be accepted.

In discussion the following main points were made:-

- (a) Cancellation or deferment of the two new AGR stations would represent a serious blow to the morale of the nuclear construction industry, especially since it would come so soon after the positive encouragement to that industry contained in the Government's statement of last December about its nuclear policy.
- (b) Similarly a decision to cancel would be taken to mean that the Government had already made up its mind on the choice between AGRs and PWRs for the future nuclear programme, without waiting for the safety assessment on the PWRs promised in the December statement. Such an announcement would be likely to polarise the argument about reactor choice on Party political lines, lead to acrimonious public debate and might well, in the end, delay rather than advance a PWR programme. In any case, the earliest date at which an order could be given for a PWR station had already slipped into 1983, as a result of the delay by the CEGB in activating the Westinghouse licence agreement, and might slip further.

CONFIDENTIAL

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CONFIDENTIAL

- 3 -

(c) Although the problems faced by the electricity supply industry in meeting its EFL had revealed serious deficiencies in the organisation of the industry, it had to be recognised that the excess costs arose in part from factors outside the industry's control. Moreover, problems with the EFL would not in themselves justify a substantial reversal of the Government's nuclear policy.

(d) It had to be recognised that allowing the stations to continue would represent a substantial financial commitment for the electricity industry which might reduce its ability to finance future stations including PWR's. Every effort should be made to economise on capital spending. It would be worth, for example, considering whether savings could be made as the magnox reactors came to the end of their life, by building new reactors at the same sites and thus enabling the existing generating and transmission facilities at these stations to serve for a further period.

The Prime Minister, summing up the discussion, said that the group had considerable misgivings about the CEGB's ability to control its costs and to manage the industry's affairs in an economical and efficient manner. Nevertheless, on balance, they were prepared to accept that the two stations should be built as planned. It would however be essential for the CEGB to find offsetting savings elsewhere to bring its EFL for 1980/81 under control. There was undoubtedly much waste in the system and the Board could not simply expect to meet its financial problems by loading extra costs on to its customers. The Secretary of State for Energy should reserve a statement about the decision to allow Heysham II and Torness to continue until it could be made to the House of Commons after the Easter recess.

8 April 1980

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