

Yes - I should be  
grateful for such a  
re-examination. We should  
clear it with  
Energy for in view of the  
later agreement  
as in para 7.  
What is the  
shortcoming in  
the AGR  
decision?  
sub.

Ann Minute  
The proposed study  
need not interfere with  
the plan for an E meeting  
on 1980/81 cash limits.  
Any saving from postponing/  
cancelling AGR's would be  
a bonus.  
Agree with the proposal,  
which seems a good idea?

Qa 04454

To: MR LANKESTER  
From: SIR KENNETH BERRILL

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The AGR Programme

1. I attach a note by the CPRS on the case for and against cancellation of either or both of Britain's two new AGR stations (Heysham and Torness). 12  
29/2
2. The reason for my putting in this note at the present time is that at the last meeting of E Committee when the Electricity Council's EFLs for 1979/80 were discussed, the Prime Minister raised question marks against the need for these two AGR stations. She asked that a paper on the electricity supply industry's capital programme for 1980/81 should be put before Ministers for the forthcoming discussion at E on the 1980/81 EFLs.
3. Such a paper is being prepared (and the CPRS is taking part in this) but the proposal in it is likely to be for a short moratorium on the placing of further contracts on Heysham and Torness as a contribution towards the 1980/81 financial problem.
4. If the problem were purely one of 1980/81 finances, such a temporary postponement might well appear to be the best solution. But, as the attached note explains, the CPRS believes that the case for the two AGRs needs more strategic re-examination which Ministers will not obtain unless the Prime Minister commissions it.
- U 5. The attached note concludes by offering a rapid (three weeks) CPRS study on the options. Such a study would require the CPRS having talks (as it has had over past years) with senior people in the nuclear power supply industry.
6. I am sending a copy of this minute and attachment to Sir Robert Armstrong.

KB

29 February 1980

Att

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The Case for a Strategic Review of the AGR Programme

1. In the view of the CPRS there is a need for a strategic review of the case for the two new AGRs at Heysham (CEGB) and Torness (SSEB) in the light of:

(a) forecasts from the Generating Boards of much lower load growth, which suggests that construction work on new power stations like Heysham and Torness could comfortably be delayed by five years or more;

(b) strong hints from the Boards that they had considerably underestimated the completion costs of the stations, now put at well over £1bn. each;

(c) the construction of Heysham and Torness before they are really needed is bound to mean electricity tariffs higher than would otherwise have been necessary;

(d) an additional and disturbing factor has recently been drawn to our attention - namely that the Heysham/Torness design of AGR would not be acceptable to the Nuclear Installations Inspectorate for any future AGRs. So the construction of Heysham and Torness would not provide an insurance against an inability to proceed with the PWR programme.

2. Nevertheless, although Heysham and Torness are stations that the Generating Boards do not presently need and can only afford by raising tariffs, there are important reasons why Ministers should pause before demanding outright cancellation of both AGRs. These include (i) the possible damage to the nuclear industry, particularly to the key teams of design engineers; (ii) the desperate shortage of home orders for our power plant manufacturers; (iii) an undermining of the Government's credibility in the whole field of nuclear policy; and (iv) the risks of being seen to become totally committed to the PWR while Three Mile Island is still fresh in the public's mind and while Sir Alan Cottrell is casting a quite justified doubt on the life-time integrity of welded pressure vessels.

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3. Options. The present view of the CPRS (i.e. before outside discussion with the nuclear industry) is that among the options available the best two are:

(i) cancelling Heysham forthwith, but continuing with Torness to its present timetable and design;

(ii) placing a moratorium of at least three years on both Heysham and Torness during which time

- the PWR would be put through its design, licensing, and planning procedures;
- the AGR would be redesigned so that, if the PWR fails to win through the procedures, Heysham and Torness could be built to a replicable design.

Option (i)

4. The first option, continuing with Torness only, has some appeal. For example, we believe (a) that without much difficulty it could be reconciled with the Government's nuclear policy as presently stated; (b) that it would not put at risk any of the strategically important parts of the power plant industry (GEC might welcome the news, Babcock & Wilcox would be little affected, Northern Engineering Industries would be the main losers); (c) that it would cause few if any problems for the nuclear design industry; (d) that it would preserve employment opportunities in Central Scotland; and (e) it could strengthen the financial discipline of the EFL regime, since the Electricity Council whose EFL has been breached would have their AGR axed, while the SSEB whose EFL is probably intact could continue with their AGR.

Option (ii)

5. However, option (i) would be mixed blessing for the SSEB and they might be unwilling to proceed with Torness, <sup>if the CEBG were to pull out of Heysham.</sup> They have traditionally let the CEBG make the running on nuclear power station construction and followed along behind. But in any event one would want to ask whether constructing Torness to its existing design is a justifiable use of public money. Our query over Option (i) and our present leaning toward Option (ii) rests on the fact that Torness would definitely be the end of the road for this particular design of AGR. The Nuclear Installations Inspectorate have said that very substantial

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*Then surely those design changes are essential now.*

design changes would be essential if they were to grant licences to any more AGR stations after Heysham and Torness. Redesign could take at least two years and NII clearance another year. A credible alternative to the PWR should mean our AGR design teams working on the AGR Mark II, not wasting their source skills in papering over major weaknesses in the Mark I design. (The Chancellor suggested that Torness could turn out to be a £1bn. white elephant; a £1bn. dodo might be a more apt description.)

6. We in the CPRS believe that in considering the problem of the 1980/81 electricity EFL and the contribution which a change in the AGR investment programme might make, Ministers should have before them more than just a proposal for a short moratorium on new contracts. They should also look at the case for taking more strategic decisions along the lines of Options (i) and (ii) above.

7. Time is short but I believe we in the CPRS could produce such a paper in, say, three weeks. But such a paper can only be put together if the CPRS follows its usual practice in this field of high level soundings outside Whitehall. We would want to talk to Sir Arnold Weinstock (GEC); Sir John King (Babcock & Wilcox); Sir Francis Tombs (Electricity Council); Mr Berridge (SSEB); Mr England (CEGB); Dr Franklin (NPC); Dr Marshall (AEA); and Mr Gausden (Chief Inspector of Nuclear Installations). Although we would impress on each the need for confidentiality, there would be a clear possibility of leakage (the danger is to Northern Engineering Industries). We would therefore not embark on this without the Prime Minister's approval.