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MR TURNBULL

1 May 1984

COAL

Power Station Endurance

1. Coal stocks at power stations on 29 April stood at 18.0 mt. Stocks have fallen by 0.8 mt over the past 2 weeks. The impression of a faster fall given by recent Department of Energy figures was based on estimates of the situation over the Easter holiday. Scottish power stations have a further 2 mt of coal.

2. CEGB oil burn is now at a maximum, saving about 0.5-0.6 mt of coal per week.

3. NCB deliveries in the week ending 29 April were about 0.35 mt of which 0.2 mt went to the power stations and 0.15 mt to other customers. This lower than normal figure was caused by the Easter holiday. The current underlying trend of coal deliveries to the power stations is about 0.3 mt per week.

4. If coal deliveries stopped today, this level of stocks would enable the power stations to operate until the second week of October ie about 22-23 weeks endurance.

5. If 0.3 mt of coal per week continued to be delivered to the power stations, endurance is possible until mid-December.

6. If 0.5 mt of coal per week could be delivered to the power stations, stocks would last until February 1985.

7. Allowing for 100% oil burn, the expected average weekly coal burn is

May	0.9 - 1.0 mt
June/July	0.7 - 0.8 mt
August	0.6 - 0.7 mt
September	0.7 - 0.8 mt
October	0.9 - 1.0 mt

8. The CEGB and the Scottish Boards are optimising on the basis of endurance. At present the equivalent of 0.07 mt of coal per week is being exported from Scotland to England.

9. Continued coal deliveries are a bonus compared with original expectations of endurance in the event of a total strike. Nevertheless, we are losing endurance as long as the amount of coal moved to the power stations is less than the weekly consumption. The longer the period before a total strike, the shorter the period that we shall then be

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able to endure. For example, we estimate that 2 months of deliveries at 0.3 mt per week would provide about 2½ weeks of additional endurance in the Autumn period. In other words if an all-out strike were delayed until June, endurance would then last until the end of October ie about 17 weeks' endurance from the start of a total strike.

10. We have made our own assessment of the sensitivity of the endurance figures for various possible eventualities. These figures are shown as examples and do not indicate any probability that the situations will in fact occur.

- If oil burn averaged only 80% of maximum we would lose 3 to 4 weeks of endurance. The CEGB have managed to procure oil supplies with surprisingly little difficulty and the main threat on this front would come from industrial action. Most of the oil is transported by sea and the chances of disruption are small. Nevertheless we are potentially vulnerable in this area. It is to be expected that Arthur Scargill will concentrate his campaign for sympathetic union action on oil deliveries particularly as the CEGB are clearly in an abnormal operating situation with regard to oil burn.

- Until the recent warm weather consumer demand was averaging 4% above forecast during the early weeks of the disruption. Part of this was due to earlier cold weather and part to higher economic growth. In addition some consumers are burning more electricity in order to conserve coal stocks. If demand averaged 5% above forecast throughout a total strike we would lose perhaps 4-5 weeks of endurance. It is more likely that the increase in economic activity will be perhaps half the 5% figure. The resulting 2-3 weeks lost endurance could be compensated by a hot Summer.

- If all carbon dioxide supplies to nuclear power stations ceased from mid-June, we would lose about 4 weeks of total endurance. Loss of supplies is possible if severe picketing prevents deliveries. This figure is somewhat higher than anticipated because of the greater contribution which nuclear makes to the generating mix in Summer.

- The assessments of endurance do not include any capacity from the three AGR stations currently commissioning - Hartlepool, Heysham I and Dungeness B. The CEGB have every incentive to produce output from these stations. For example, if it is possible to get the equivalent of one reactor on full load we would gain an extra 2-3 weeks. Each station has two reactors. Nevertheless, given the past performance

of these AGRs we should not count on any contribution from this source.

- If sympathetic industrial action by the T&GWU within the power station perimeters prevented 5 mt of coal stocks being used, we would lose 4-5 weeks endurance.

- The assessments of endurance assume that perhaps 1 mt of coal may not be useable because of deterioration. The CEGB claim that they are confident that this figure is 1 mt maximum and that in practice these stocks may turn out to be useable.

11. There are of course about 22 mt of coal stocks at the pit heads and open cast mines. In addition most open cast mines are continuing to work - weekly production about 0.3 mt per week - although very little coal is moving to the power stations.

Conclusions

1. We should monitor power station endurance closely in order to identify any unexpected occurrences which might reduce our current perceptions of endurance.

2. We should also attempt to identify industrial pressure points via the CBI. Some early warning could enable us to help special cases and reduce the prospects of losing industrial and public sympathy.

3. In the event of a protracted dispute, we shall need to consider other options for increasing endurance. To a very limited extent, there is some scope for reducing electricity demand by banning display lighting and reducing voltage before rationing or rota cuts are contemplated. Other major options include transporting coal from the pits and open cast mines to the power stations and increasing imports.

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COAL

Endurance

1. We enclose a separate note on power station endurance.

2. We have arranged to receive from the Department of Energy on an informal basis, an assessment of the profile for coal stocks on various assumptions during the Summer and Autumn.

Coal Statistics

1. The operating costs on a pit by pit basis included in Volume 2 of the MMC Report on the NCB are on a 1981/82 basis. We have arranged to receive from the Department of Energy on an informal basis an updated list on a 1982/83 basis with an indication of which further pits have been shut in the meantime. The Department are pressing the NCB for 1983/84 figures.

2. The statements in the briefing for Questions that the worst 12% of output loses £275m per annum and the worst 20 pits cost £89 per tonne are based on 1982/83 figures. They may not be totally reliable for the current situation. We have asked the Department whether it is possible to provide some recent information.

3. It should be noted that the NCB's closure plan does not involve a systematic closure of the most uneconomic pits in sequence. The NCB have felt it necessary to spread the closure programme throughout the areas in order to reduce the need for compulsory redundancies and to avoid being seen to be concentrating on any one particular region. Consequently some pits have been closed which have not been the worst offenders in the economic league table. The proposals to close Cortonwood were based on this approach ie closure of Cortonwood gave an opportunity to redeploy the men from that pit in the same area. Nevertheless it does seem that the approach to shutting Cortonwood was mishandled.

Conclusion

We should ensure that statistical information given out on economic and loss-making pits is based on up-to-date information.

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