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✓ JV*

Prime Minister

(2) 31

*To note. Mr Lawson
owes you a letter*

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

*answering your
questions (£30m*

PRIME MINISTER

*Yes it does. seems a high figure?
disappointment over
Yes. shortage of ancillaries' facilities)*

INCREASE IN POWER STATION AND INDUSTRIAL ENDURANCE

I have seen Nigel Lawson's minute of 22 June to you and your comments, recorded in your office's letter of 28 June.

MS 6/7

2. I agree that the CEEB should be encouraged to squeeze more coal above the 24m tonnes into existing sites. I understand that this is unlikely to cost more than £10 million at most. I hope that Nigel will do his best to persuade the NCB to absorb this within their agreed EFL. If they cannot be persuaded, the cost will have to be met from the Contingency Reserve and the Board's EFL increased. Even if the Board can keep the expenditure within their EFL, they will want an increase in their deficit grant provision. I agree to this. It should be made clear to the Board that this increase in the EFL and the deficit grant are "earmarked" for this purpose; any unspent balance cannot be used for other purposes.

CEEB?

3. Nigel also refers to the possibility of stocking an additional 4m tonnes of coal at new sites within existing CEEB power stations at the much larger cost of possibly £30million. In the perhaps unlikely event of delivery of all this 4m tonnes this year, this would add another two weeks to the 20 weeks' endurance already planned. Two weeks' endurance would certainly be valuable. But it would be a very visible step, involving discussions with planning authorities, stocking on sports grounds, etc. But provided that Nigel, after consultation with the CEEB and NCB, is satisfied that it would not provoke pre-emptive industrial action by the miners or the power workers, I would see some advantage in spending

/up to



up to £30 million to secure the two weeks of extra endurance.
The cost would have to be found from the Contingency Reserve with yet a further increase in the NCB's EFL and the Department's cash limit which provides the deficit grant for financing the cost. Again the EFL and deficit grant increase should be earmarked for this special purpose.

4. Department of Energy officials should be in touch with mine about the mechanics of the EFL and deficit grant payments. The new EFL would need to be announced.

5. I am copying this minute to the Home Secretary, the Secretaries of State for Defence, Employment, Energy, Industry, Transport and Scotland, to Sir Robert Armstrong and Mr. Sparrow, for the usual limited circulation.

G.H.

6 July 1982