



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

PRIME MINISTER

WATER SUPPLIES TO THE CEEB

The Secretary of State for Energy copied to me his minute of 21 July proposing that he should ask the CEEB to set action in hand to make their system less vulnerable to the effects of a dispute in the water industry. I have now seen Michael Scholar's letter of 27 July, giving your view in favour of going ahead, and that of the Secretary of State for Employment.

2. I understand that MISC 61 concluded last year that the risk of significant disruption of electricity supply as a result of lack of mains maintenance during industrial action was inherently unlikely. Theoretically the system could be paralysed by a complete shutdown of water supply or by selective action by the water workers aimed specifically at interfering with power stations. It does not follow, however, that by protecting power stations we will increase materially our ability to withstand major industrial action by the water workers. That depends on whether other key sectors are equally vulnerable. The Home Secretary's minute of 22 October 1981 suggested, for example, that lack of water for sanitation was the bigger danger.

3. I am not therefore myself wholly persuaded that the expenditure of £10m would be justified. However I do not particularly want to resist a move along these lines so long as it is on the firm understanding that the expenditure would be contained within existing investment plans and would not be an argument for increased public expenditure. This is clearly what the Energy Secretary hopes to achieve. If there were

cc J.V.
NBPM
Wh
Grossy 3/8

SECRET & PERSONAL



any doubts on this score I would want a further opportunity to consider whether the expenditure should go ahead.

4. I am sending copies of this minute to the Secretaries of State for Defence, Energy, Environment, Scotland, Wales and Employment, and to Sir Robert Armstrong and Mr Sparrow.

(G.H.)

2 August 1982

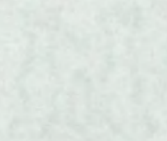
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13 AUG 1982



CONFIDENTIAL





Energy
file 26 4

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10 DOWNING STREET

From the Private Secretary

27 July 1982

Dear Julian,

WATER SUPPLIES TO THE CEGB

Your Secretary of State minuted the Prime Minister on 21 July about the vulnerability of the CEGB to industrial action in the water industry.

The Prime Minister agrees, subject to the views of colleagues, to your Secretary of State's proposal to ask the CEGB to set action in hand on an expenditure programme of upwards of £10 m. (within the CEGB's capital expenditure plans) to achieve substantial independence from any disruption in the public water supply system.

I am sending copies of this letter to John Kerr (H.M. Treasury), David Omand (Ministry of Defence), David Edmonds (Department of the Environment), Muir Russell (Scottish Office), Adam Peat (Welsh Office), Barnaby Shaw (Department of Employment), David Wright (Cabinet Office) and Gerry Spence (CPRS).

Yours sincerely,

Michael Scholar

J. D. West, Esq.,
Department of Energy.





Prime Minister

You have agreed

this £10m already.

MUS 26/7

mt

PRIME MINISTER

WATER SUPPLIES TO THE CEGB

will mcs?

I fully support the Secretary of State for Energy's proposal, in his minute to you of 21 July, that he should seek to persuade the CEGB to take action to protect power stations from the possible disruption of water supplies in the ways described. The cost is modest and we can certainly not rule out the possibility of industrial action in the water industry.

I am copying this minute to the Chancellor of the Exchequer, the Secretaries of State for Defence, the Environment, Scotland, Wales and Energy, and to Sir Robert Armstrong and Mr Sparrow.

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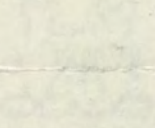
26 July 1982



26 JUL 1982



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P. 0820



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MR SCHOLAR

WATER SUPPLIES TO THE CEGB

The Secretary of State for Energy minuted ^{about} the Prime Minister on 21 July seeking agreement to the expenditure of /£10 million by the CEGB and some other measures designed to ensure that a substantial majority of base-load power station capacity would have independent water supplies and would therefore be insulated from the effects of severe industrial action in the water industry. In assessing these proposals and whatever ^{with} comments other Ministers may have there are two broad aspects which the Prime Minister will wish to consider, namely:-

- a. are the power stations at significant risk from industrial action in the water industry?
- b. if not, do the Secretary of State for Energy's proposals nonetheless represent a worthwhile insurance policy?

The Extent of the Risk

2. This was discussed in paragraph 31 of the report by the Official Group on Water (MISC 61) which was circulated with the Home Secretary's minute of 22 October 1981 to the Prime Minister. Briefly, the position is that if 8 or 9 base-load power stations were simultaneously to be out of action the normal level of electricity supplies almost certainly could not be maintained and restrictions very roughly equivalent to a 3-day week would probably have to be introduced. But the chances of that happening as a result of a strike in the water industry seem slim. It would mean that the mains water supply to each of 9 power stations would have to have failed in such a way that the combined effort of water industry management, outside contractors and servicemen could not repair it. Yet, on average, only one mains water pipe fails each day in the whole of Great Britain. MISC 61 therefore concluded that it seemed inherently unlikely that such a situation would arise.



Are the proposals a worthwhile insurance policy?

3. The Secretary of State for Energy's minute records that 42,000 megaWatts of power station capacity is required to meet maximum demand. Of this, 15,000 megaWatts either already has an independent water supply or does not require it. The Secretary of State estimates that a further 5,000 megaWatts from power stations in urban areas would probably continue to be available. This is clearly guess work, but there is no reason to suppose that it is wide of the mark; during a water strike maximum effort would have to be devoted to maintaining supplies to domestic users and to other key users such as hospitals, and since power stations in urban areas rely on the same water mains there is clearly a fair chance that they would be safeguarded.

4. The second paragraph of the Secretary of State's minute describes the two measures that the CEGB might take to make good the gap between the above capacity of some 20,000 megaWatts which has guaranteed water supplies and the requirement of 42,000 megaWatts. The cost of these measures would be of the order of £10 million, spread over two years and the Secretary of State hopes to persuade the CEGB to meet this from within their existing capital programmes.

5. Although it may be felt that the risk is not great, the Secretary of State's proposal seems sensible. The expenditure is very small in relation to total capital expenditure in the electricity supply industry, or to the cost to the economy if, unexpectedly, a water strike were to lead to power station failures and therefore reductions in electricity supplies; and it might help to discourage militancy in the water industry, where power stations are regarded as a key target in a strike.

Timing

6. The pay settlement date for the water industry is 7 December. It is impossible to judge at this stage how difficult the negotiations will be, but the pattern over the last two pay rounds has been very protracted negotiations with increasing unofficial industrial action. It would clearly be impossible for the measures proposed in the Secretary of State's minute to be well advanced by the time of this year's pay negotiations, but given a reasonably early start they ought to be close to completion by the time of the 1983-84 negotiations.

PLG

P L GREGSON

23 July 1982

SECRET

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MR. SCHOLAR

cc Mr. Mount

Water Supplies to the CEGB

Mr. Lawson's proposal, in his note of 21 July, to authorise the CEGB to spend some £10 million to reduce their dependence on water supplied from town mains, is unexpected: the official group had concluded that it was unlikely that industrial action in the water industry would result in water supplies to power stations being interrupted to an extent that would interfere with electricity supplies.

But however small the risk, the proposed expenditure is tiny in comparison with the cost of interrupted electricity supplies, and I think as a matter of general policy we ought to encourage all reasonable steps to be taken to reduce the dependence of essential national services on union monopoly power. So I hope the Prime Minister will agree to Mr. Lawson's proposal.

Jr.

22 July 1982

SECRET

SECRET AND PERSONAL

PRIME MINISTER

WATER SUPPLIES TO THE CEGB

At present the CEGB take 28m gallons each day from town mains (1 per cent of all water supplies in England and Wales), almost all of which is used for boiler water make-up. (Cooling water taken direct from rivers or the sea raises no difficulty.) Most stations have sufficient storage capacity for only two days operation and the cost of increasing this would be prohibitive. Loss of mains water as a result of industrial action in the water industry would lead to shutdown of a large proportion of the 42,000 mw capacity needed to meet maximum demand, leaving 11,000 mw of plant having an independent water supply and 4,000 mw of gas turbine and hydro-electric plant.

A preliminary assessment of the possibilities for lessening this vulnerability has led the CEGB to the following conclusions:

- i) use of local sources of water (including boreholes into aquifers) and on-site purification could provide 13-22,000 mw of additional secure capacity, depending on success in locating underground sources. The Board would expect to achieve 17,000 mw at a cost of about £10m, assuming the necessary licences were granted;
- ii) water supplies to the oil-fired stations (4,000 mw) and adjacent refineries at Pembroke and Fawley serve only these complexes. Transfer of ownership of plant and pipelines to the CEGB and the oil companies should secure the supplies. No estimate of the cost, which would be for negotiation, is available at present, but it is unlikely to be considerable;

Prime Minister (1)

Agree, as recommended by
Mr Gregory and John Verker
(see their notes, attached)
to Mr Lawsan's proposal to
spend £10m to protect electricity
supplies from a water strike?
MUS 23/7

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SECRET AND PERSONAL

iii) in addition 13,000 mw of old plant is located in urban areas on the same mains as hospitals and domestic users. Perhaps 5,000 mw of this capacity would remain available.

In summary:

existing independent capacity	15,000 mw
for £10m expenditure	17,000 mw
transfer of plant (cost unknown, but probably small)	4,000 mw
urban plant	5,000 mw
	<hr/>
	41,000 mw

It is clear that the possibility exists of making the CEGB system substantially less vulnerable to the effects of any dispute in the water industry. The Board have sought guidance, before developing more detailed plans, regarding the possibility of industrial action and the likely scope of any Government response. They are concerned to avoid extra expenditure if Government action might be taken to achieve the same end in respect of other industries and the general public.

An official group (MISC 61) last year looked at the threat of and consequences of industrial action in the water industry and my officials have recently consulted the other Departments involved about the CEGB's ideas. I understand that there is some uncertainty about the balance of advantage in what is proposed.

It seems to me that the costs of upwards of £10m, spread over perhaps two years, involved in achieving substantial independence from any disruption in the public water supply system are worth incurring. I would hope to persuade the CEGB to find this from within existing capital expenditure plans. Subject to your views and those of colleagues, I propose to ask the Board to set action in hand.



SECRET AND PERSONAL

I am copying this letter to the Chancellor of the Exchequer, the Secretaries of State for Defence, the Environment, Scotland, Wales, and Employment, and to Sir Robert Armstrong and Mr Sparrow.

ML

Secretary of State for Energy

21 July 1982

SECRET

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SECRET AND PERSONAL

I am copying this letter to the Chancellor of the Exchequer, the
Secretary of State for Defence, the Environment, Scotland, Wales, and
Northern Ireland, and to the Lord Advocate and the Lord Chancellor.

21 JUL 1982

Secretary of State for Energy
21 July 1982

