



27

SECRET AND PERSONAL

Prime Minister ①

P.0927

Agree / write as proposed?

Yes mb

MR SCHOLAR

Ms 22/12

POWER STATION ENDURANCE

Further to my minute of 17 December, it now seems that the discussion of financial arrangements relating to the measures to improve power station endurance has been caught up in a wider negotiation about finance involving the Government, the NCB and the Electricity Boards. It is therefore most unlikely to be settled before Christmas. There is no intervention which it would be useful for the Prime Minister to make on the substance at this stage, but it is vital to keep the pressure up. If the Prime Minister agrees, a letter on the lines of the attached draft for your signature would be helpful.

Pg

P L GREGSON

22 December 1982

SECRET AND PERSONAL



SECRET AND PERSONAL

nr type
DRAFT LETTER FROM MR SCHOLAR TO SEND TO MR WEST, DEPARTMENT OF ENERGY

POWER STATION ENDURANCE

The Prime Minister has seen your Secretary of State's undated minute and the minute of 13 December from the Chancellor of the Exchequer concerning the recent report by the Official Group on Coal (MISC 57) on power station endurance.

The Prime Minister recognises that Ministers' decision to opt for the maximum feasible rate of deliveries of coal to the power stations after the Christmas holidays and to aim for higher stocks next autumn may require difficult and complex negotiations with the Electricity Boards and the NCB about the implications for their EFLs. She is however concerned that the urgent action which has been agreed following the MISC 57 Report should not be delayed - especially the action to accelerate coal deliveries after the Christmas holidays, but also any early action which needs to be taken to improve endurance next autumn. She therefore very much hopes that the clarification of the implications for EFLs and the discussion of this with the industries can be pressed ahead quickly and handled in a way which will not delay progress on these matters.

I am sending a copy of this letter to the private secretaries to the Home Secretary, the Chancellor of the Exchequer, the Secretaries of State for Defence, Scotland, Industry, Transport and Employment, and to Mr Sparrow and Sir Robert Armstrong.

SECRET AND PERSONAL

Not And Coal

26 B.

Mr Wolfson

PR

P.0928

MR SCHOLAR

*I am more impressed by X and Y men by para 4; and am inclined now to let the matter rest pro tem, having registered the point. Agree? *Yes DW**

POWER STATION COAL STOCKS

You raised with me a short time ago the question whether the fact that a *MCS 22/12* proportion of power station coal stocks had been delivered on deferred payment terms might mean that if there were further industrial action by the miners they would succeed in persuading the power station workers not to handle the coal concerned on the grounds that it really formed part of the pithead coal stocks, which would be declared "black" by the miners, rather than power station coal stocks.

might

2. We have discussed this with officials of the Department of Energy. The financing arrangements for the extra coal delivered to the Electricity Boards under the accelerated deliveries programme are complex. However, I gather that they now apply to only about 3 million tonnes out of the 26 million tonnes of coal held at power stations in England and Wales; this is planned to increase during 1983 to 6 million tonnes out of total coal stocks of 30 million tonnes. Moreover, the Electricity Boards regard themselves as having formally taken delivery of this coal and having negotiated with the National Coal Board the sort of advantageous payment terms that are not uncommon in the private sector. The Electricity Boards would apparently not accept that the coal in question (which is not, of course, separately identifiable at the power stations) is in any sense part of pithead coal stocks which happen to be stored at the power stations.

but would the Courts?

X

3. You may have seen reports in the press today that the new pricing arrangements agreed between the CEGB and the NCB involve the delivery of some coal for which payment is not specified. This is simply the rolling forward of the present arrangements.

4. The Department of Energy is confident that the miners are most unlikely to take any interest in the financing arrangements for coal stocks or, even if they were to do so, to seek to construct an argument of the sort outlined above.

However, even if the miners were to seek to persuade the power station workers to "black" the coal in question, it seems unlikely from previous experience that they would be successful in doing so. Power station staff are keenly aware of the rapid and very serious damage to the economy which would result from any industrial action by them, and the adverse effect this would have on public opinion. As a result there has been relatively little industrial action in the electricity supply industry over the last decade. Power station workers did not take industrial action during the two miners' strikes in the 1970s. It seems improbable that they would do so if there were to be a miners' strike in the foreseeable future.

5. The conclusion is therefore that the contingency referred to in paragraph 1 is highly unlikely. If it were to occur it would of course be open to the Electricity Boards, in the last resort, to dispose of any argument of this sort by paying the NCB for all the coal stored at the power stations.

Pq

P L GREGSON

22 December 1982

NAT. IND.

26

COPY 1 OF 9 COPIES

CF
PI 6 f accounts
MUS 20/12



SECRET AND PERSONAL

2 pm

P.0920

MR SCHOLAR

Prime Minister (2)

To note.

Handwritten initials: 'D. Grogson' and 'M'

Mr Grogson will ensure that

you are alerted so as to ensure this is settled before Christmas.

MUS 17/12

POWER STATION ENDURANCE

You minuted me on 6 December, in my capacity as Chairman of the Official Group on Coal (MISC 57) recording that the Prime Minister agreed, subject to the views of her colleagues, with the recommendations in the report which I had submitted on 3 December for improving our capacity to withstand a miners' strike during this winter and from next autumn onwards.

2. We have now had minutes to the Prime Minister from the Secretary of State for Energy and from the Chancellor of the Exchequer, both dated 13 December. They agree with the recommendations in the report, subject to further study of whether, in addition to the other measures proposed and approved, we should increase stocks of carbon dioxide at nuclear power stations. MISC 57 will cover that issue as part of our next report early in the New Year.

3. The Chancellor of the Exchequer has however made certain conditions about financing the extra stocks of coal (£40 million) and ancillary materials (£25-£35 million) at power stations. He proposes that the industries should be asked to plan on the basis of absorbing these costs within existing EFLs. In the case of coal he is prepared to agree that the industries should be told that the Government would be willing to consider an increase in EFLs in September or October 1985, depending on the latest monitoring information. He is also prepared to agree now that, if it is clear in the autumn that the industry cannot absorb the cost, up to £40 million will be made available from the Contingency Reserve for this purpose, although he has not proposed that this should be made known to the industries. In the case of ancillary materials the Chancellor sees no need to signal any advance willingness even to consider revising the EFLs, although his minute implies that he would in practice be willing to see the EFLs revised in the autumn for this purpose if it proved to be necessary.



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4. The Secretary of State for Energy sees difficulty about these conditions. He believes that he will not be able to persuade the industries to increase the stocks to the extent the Government wishes unless the EFLs can be increased. On the other hand, there are good grounds for the view that it is far too soon to contemplate increases now in the EFLs for 1983-84, bearing in mind in particular the experience of underspends against the 1982-83 EFLs and that the industries should be encouraged to try and absorb the increases within existing EFLs. He is therefore being advised to fall in with the view that the EFLs need not be increased now, provided that the industries can be told that increases in their EFLs will be forthcoming in the autumn to cover the extra costs of stocks, if, despite efforts to absorb these extra costs, the need for a relaxation can be demonstrated at that time.

5. We understand that, if the Secretary of State for Energy responds in this sense, Treasury officials will advise the Chancellor to concur. I am therefore hoping that it will prove possible to resolve this matter before Christmas without seeking an intervention from the Prime Minister. If not, I shall alert you and offer advice on how the Prime Minister might settle the issue. Premature and unnecessary relaxation of the discipline of EFLs must of course be avoided. We must not however lose sight of the vital importance of improving power station endurance. Action in respect both of this winter and of next autumn must be put in hand soon after Christmas if we are to achieve our objectives.

PLG

P L GREGSON

17 December 1982

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