



FROM: FINANCIAL SECRETARY

DATE: 23 December 1983

PRIME MINISTER

PRIVATISATION AND THE ENERGY INDUSTRIES

Peter Walker's minute of 20 December sets out very helpfully his current thinking in this area. As he says, I have had a valuable discussion with him.

I am sure Peter is right in saying we need a strategic plan in the energy area and I welcome the fact that he has made a preliminary bid for legislation in the 1984-85 session. Peter at present envisages this legislation covering gas alone but it would be worth considering a bill providing powers for the eventual sale of both gas and electricity.

I would accept his judgement that it would not be right to privatise the NCB's main activities in this Parliament. I hope we can make good progress on the subsidiaries.

E(A) will want to consider carefully the detailed points he makes about British Gas (BGC) and the Electricity Supply Industry (ESI). While I would not want to underestimate the problems of electricity, it may be that when we come to look at the options in more detail we may be able to see a way through them. For example, the regional imbalance in the location and capacity of power stations would be less of an inhibition on breaking up the CEGB if we wanted to restructure the industry along functional lines rather than on regional lines. I am also not sure the issue of providing a market for British Coal need in practice loom large now that NCB coal is aligned to market prices and capacity for importing coal is limited.

On BGC, Peter suggests the timetable he has in mind may limit the scope for radical restructuring. The aim of such restructuring would be to bring as much competition into the industry as possible and to enable gas prices to be determined in the market place. Increasing competition is one of our main objectives in this area. We will need to consider carefully how far the various options secure this objective for electricity as well as gas.

As Peter says, this is not the moment to take decisions. We will need to consider carefully the detailed papers he is preparing covering all the options on gas and electricity before we start to firm up our thinking.

I am copying this to the Chancellor of the Exchequer and the Secretary of State for Energy.

J M

Teer Pol,
Pravara
ptg



29 DEC 1983

CEPHALOPODS



10 DOWNING STREET

Pa
DWS
30/12

Prime Minister

The attached minute from the Financial Secretary echoes your own views on increasing competition in the gas market, and on the need to make progress also on electricity.

Content just to note at this stage, pending discussion in E(A)?

Yes ✓

DWS
29/12