

PA
PRIME MINISTER

23 September 1983GAS PRICES

Your meeting on 13 September 1983 agreed that the gas price increase at the beginning of January 1984 should maintain gas prices in real terms but that no decision on future years should be taken immediately. The Secretary of State for Energy has submitted proposals for a 5% increase for domestic and small non-domestic consumers from 1 January 1984; a freeze on industrial contracts consumers for the remainder of the 1983/84 financial year; and a two year financial target for BGC, incorporating increases in line with inflation for all markets in 1984/85. Your meeting reached no conclusions on this last point.

Given the dispute about the basis which should be used for future economic prices, as illustrated in recent papers by both the Treasury and the Department of Energy, the immediate need is to settle the price rises for January 1984 and the planning assumptions for the IFR. We do not consider that the Financial Target should be settled in advance of agreement on pricing principles. The announcement of a Financial Target which incorporates prices rises for 1984/85 in line with inflation would significantly reduce the options for achieving economic pricing in this Parliament.

In order to resolve the present unsatisfactory dispute about economic pricing principles for both gas and electricity as soon as possible, we suggest that you should set up a small Interdepartmental Group which would include the No 10 Policy Unit.

DLP.

DAVID PASCALL

F E R Butler Esq



Mr. Mount
Do you want to
nominate someone

CABINET OFFICE

FRB

6.10

I'd like to
nominate

With the compliments of David
Sir Robert Armstrong GCB CVO Pascall

Secretary of the Cabinet

and Head of the

Home Civil Service

fm
6/10

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