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NOTE FOR THE RECORD

SIZEWELL

The Secretary of State for Energy called on the Prime Minister today to report on the way the case for Sizewell was developing. The Enquiry had been in progress for a year and had completed only its hearings on the economic case. It was now starting on the safety case and it was unlikely that these hearings would be completed before September. There would then be a further interval while Sir Frank Layfield wrote up his report.

The Secretary of State for Energy said that, ever since he had been Secretary of State for Trade and Industry when that post had responsibility for energy, he had been an enthusiast for PWR reactors. His public stance was unchanged, that provided adequate safety could be assured, the CEBG should be allowed to build a PWR station.

He said that he wished the Prime Minister to know that he was becoming increasingly concerned about this project. The original cost had been assessed at £1.2 billion and was now up to £1.6 billion. He was sure that in the process of construction this would rise still further. Sizewell could well be the only PWR being constructed and the consortium, faced with a once-off order, would want to make sure that the contract was profitable. He informed the Prime Minister that there were further delays in completing three of the first generation of AGR stations.

The Secretary of State for Energy said he had recently spoken individually to the participants in the consortium - CEBG, GEC, Babcock and NEI. He had been disturbed to discover that, even at this stage, their accounts of how the project should be managed were inconsistent. He felt this boded ill for the successful management of the project though he intended to have further talks with them.

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He felt it right to warn the Prime Minister that it was not impossible that the Government might wish to decided not to proceed with a PWR station. He emphasised, however, that he had mentioned none of this publicly nor even to his department. He would put together a private note for the Prime Minister.

Never
received

AT

A. Turnbull

12 January, 1984

CONFIDENTIAL



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B/C: MR. PASCALL, FOR. UN5

cc MASTER SET

10 DOWNING STREET

From the Private Secretary

12 January, 1984

SIZEWELL: ADVANCE ORDERING

Your Secretary of State came to see the Prime Minister today to discuss the case for advance ordering of components for Sizewell. He said that CEGB wished to order £12 million of forgings. If the orders were delayed until the public enquiry were completed, the costs would be greater - perhaps up to £30 million. In addition the whole project would be delayed imposing costs of a further £60 million.

He was worried that, if he authorised these orders, he could be accused of pre-judging his decision on the Sizewell Enquiry. In his view, however, the order could be justified as a reasonable commercial decision by CEGB. Although it was possible that most of the £12 million could eventually be wasted, this was not a large sum in relation to either the potential savings from making the orders or the £93 million that had already been spent on developing the Sizewell design. He was, therefore, disposed to authorise the expenditure.

The Prime Minister said that subject to the views of the Chancellor of the Exchequer, she too accepted the case for advance ordering.

I am sending a copy of this letter to John Kerr (HM Treasury).

(Andrew Turnbull)

Michael Reidy, Esq.,
Department of Energy

MP

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