



PUBLIC EXPENDITURE: ELECTRICITY

Line to take

It is satisfactory that the external financing requirements for the electricity industry have now been settled in the Star Chamber.

2. It was a great pity that the CEGB had felt it necessary to introduce a major additional bid at a late stage in this year's discussions. It is particularly disappointing that some of the AGRs (including Heysham I) are still requiring large scale capital expenditure to put them right. The need for expenditure to improve endurance is appreciated.

3. Although some of the savings in the IFR settlement were found on the Sizewell programme, there has been no policy change with respect to the project. Indeed there is still approximately £500 million provided for it in the IFR period. The working assumption underlying the settlement is that consent will not be given until Autumn 1987, and that the expenditure pattern for the purposes of the Autumn Statement and the Public Expenditure White Paper should be adjusted accordingly. But the Board will be expected to be ready to proceed with the project with all due speed at any time if the Government so decides.

4. It is important that no contracts are let ahead of Ministerial decisions and that draft contracts are tautly negotiated.

Prime Minister.

(i) He will not wish to say any of this to the press.

(ii) To Lord Marshall, you will probably wish to avoid going into the kind of detail.

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BackgroundKey figures

£ million	1986-87	1987-88	1988-89	TOTAL
Baseline	-1447	-1487	-1524	-4458
Industry original bid	+169	-124	+568	+613
Industry revised bid	+135	+155	+176	+466
Industry total bid	<u>+304</u>	<u>+31</u>	<u>+744</u>	<u>+1079</u>
Savings	<u>-273</u>	<u>-229</u>	<u>-501</u>	<u>+1003</u>
of which CEGB capital	-163	-219	-181	-563
of which Sizewell	-132	-166	-66	-364
Final agreed external financing requirements	-1416	-1685	-1281	-4382