

Prime Minister ②
 To note, X in
 particular

AF 31/11

PRIME MINISTER

Philip Jones has now reported to me on the decision taken by the Electricity Council on prices for 1984/85.

The Council decided to recommend to the twelve Electricity Area Boards in England and Wales that all quarterly tariffs should be increased by 2 per cent from 1 April 1984. The Council also agreed that monthly published tariffs should be held at the present level until 31 March 1985, except for fuel cost adjustment which will continue to operate according to the prevailing price of fuel to power stations. "Quarterly billed consumers" include all domestic consumers and small commercial and industrial consumers who do not have the fuel price adjustment clause in their tariffs. This increase will not apply to the standing charge component in quarterly tariffs. The Council considered that because this is a particularly sensitive issue, it would be desirable to leave standing charges unchanged for the time being. I understand that the yield of this domestic increase in 1984/85 will be roughly £60m.

I regard this as a satisfactory outcome, fully reflecting the Cabinet's wishes. Philip Jones has told me that despite the reservations expressed by a number of the members, he believes that all Area Boards will accept the Council's recommendation. He has stressed, however, that this is legally a matter for their own decision.

X Since he wrote to me, the London Electricity Consultative Council have announced that they are considering legal action to prevent the London Electricity Board from raising tariffs. The legal position is far from clear, and the Boards may still run into difficulties. You may remember that I drew attention to the risk of a legal challenge when we took our decision on prices. The Select Committee also seem likely to examine this question.



One further point is that the Council has emphasised to me the importance it attaches to forthcoming discussions about its financial target for the period beyond 1984/85. Essentially it is seeking a settled financial framework for a period of three years. This is a matter which I shall need to consider further in consultation with the Chancellor.

I am copying this minute to Cabinet colleagues.

A handwritten signature in blue ink, appearing to read "Denis Healey".

SECRETARY OF STATE FOR ENERGY

30 January 1984