



NBPM

CC/NO

AT 12/13

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Peter Walker MBE MP
Secretary of State for Energy
Department of Energy
Thames House South
Millbank
LONDON
SW1P 4QJ

16 March 1984

John King

George Younger sent me a copy of his letter to you of 27 February about the scheme for limiting standing charges for electricity.

He gave some revealing statistics on the use of the premises which benefit from this scheme. With under one-half of the benefit going to dwellings which are not permanently occupied (eg holiday homes, lock-up garages, etc) it must be questionable whether the scheme is worth continuing at all in Scotland.

While I sympathise with the position in which George Younger finds himself, I have serious reservations about the idea of limiting rebates to those receiving supplementary benefits or pensions. As proposed in the autumn of 1982, the scheme was not justified as a measure to help the poor consumer, but instead to remove a source of grievance for a wider range of small consumers (rich and poor). It would therefore be somewhat illogical to recast the scheme for the benefit of the worse-off. To do so would also run across our long-standing policy that we should not use nationalised industry pricing as a means of helping the poor with fuel bills. The right way to do that is through the supplementary benefit heating addition.

Nonetheless, I think that there are at least two other options that could usefully be examined. These are:

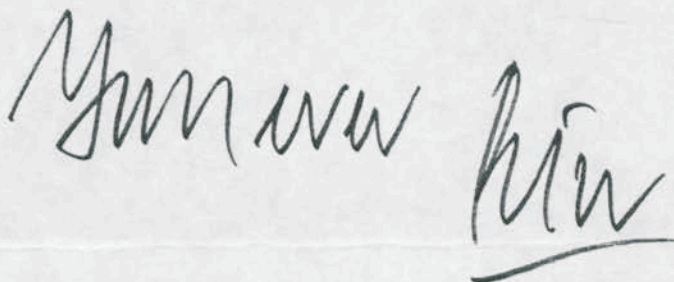
- a) to limit the rebate to those properties which were permanently occupied - this would remove the anomalies over holiday homes, lock-up garages etc, but might be administratively complex;
- b) to allow individual Boards within the industry to make their own decisions on whether to have the scheme and the form it should take. One can well imagine that the

balance of advantage may vary in different parts of the country. Clearly the Scottish Boards are firmly against the scheme; I understand that at least one Area Board in England and Wales has already introduced a modified version giving less benefit.

I should be interested to see comparable statistics for England and Wales to those helpfully provided by George Younger. It would be unwise to mix up this scheme with the social security system in any way. Subject to the views of colleagues, I would be content for other options to be examined by officials.

Whatever outcome emerges, we should work on the assumption set down in my predecessor's letter of 6 October 1982 that any loss of revenue on rebating standing charges will be made good by offsetting increases in tariffs elsewhere so that there is no net effect on the external financing requirements of the industries.

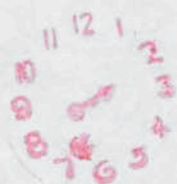
I am copying this letter to the Prime Minister, the Chancellor, the Secretaries of State for Scotland, Northern Ireland, Wales, Trade and Industry, Environment and Social Services, and to Sir Robert Armstrong.

A handwritten signature in black ink, appearing to read 'Peter Rees', written in a cursive style. The signature is positioned above the typed name 'PETER REES'.

PETER REES

Nat Ind : Gas & Electricity A9

19 MAR 1984



cc No

01 211 6402

The Rt Hon George Younger MP
Secretary of State for Scotland
Scottish Office
Dover House
Whitehall
LONDON SW1A 2AU

16 March 1984

ELECTRICITY STANDING CHARGE REBATE SCHEME

Thank you for your letter of 24 February ^{with a}.

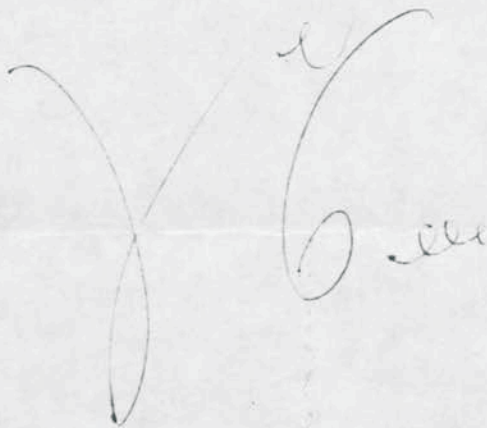
While I understand your concern, and the concern of the Scottish Boards, about the rebate scheme, I think that we need to bear in mind that it was never designed as a measure of help to the needy. Since the Labour Government published "ENERGY TARIFFS AND THE POOR" in 1976 all Governments including ourselves have accepted that assistance to the less well-off with their fuel costs would not be provided effectively by tariff measures but was the province of social security benefits. While the rebate scheme has the incidental effect of giving limited help to those amongst the less well-off who are small consumers, its purpose was to relieve the very considerable pressure for the total abolition of standing charges to some or all consumers, which would distort tariffs far more than the present scheme.

However, that does not mean that we should close our minds to the possibility of changing the Scheme to lessen some of its deficiencies. Unfortunately Mr Miller's suggestion strikes me as posing potential problems in risking both undue preference between consumers, which would be contrary to statute, and greater administrative complexity and costs. We do not want a repeat of the last Government's electricity discount scheme which incurred approaching half its costs to administration. Moreover, limiting the scheme as suggested would make it overtly a measure of social assistance and could, by highlighting its obvious inadequacies in this respect, fuel further pressure for total abolition of standing charges for the particular groups of consumers in question.

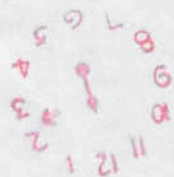
I do not therefore believe that the SSEB suggestion promises a viable alternative. Nor does it seem at all probable that a review by officials would produce such an alternative: the subject has already been thoroughly examined.

But it is difficult to envisage ending the present scheme with nothing to put in its place - politically this would fan the present smouldering discontent. However, I am aware that both British Gas and the Electricity Council are reviewing the operation of the present schemes, and before we take any final decisions on how to proceed I should like to wait to see whether they come up with any helpful suggestions. When we see their ideas we can better take stock together and make a considered judgement taking account also of Norman Fowlers view on the social implications of the best way forward. I shall write to you again when I have the industries' views.

I am copying this letter to the recipients of yours.

A large, stylized handwritten signature in dark ink, appearing to be 'P. Walker', with a long, sweeping flourish extending downwards and to the left.

PETER WALKER



19 MAR 1984



CC 150

NBPM

AT

11/5

DEPARTMENT OF HEALTH & SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

The Rt Hon George Younger MP
Secretary of State for Scotland
Scottish Office
Dover House
Whitehall
LONDON
SW1A 2AL

11th May 1984

Norman Fowler

ELECTRICITY STANDING CHARGE REBATES SCHEME

will request if required

Thank you for sending me a copy of your letter of 24 February to Peter Walker.

Briefly, I agree with Peter Walker and Peter Rees that the standing charge rebates scheme was never intended as a way of helping the needy, and that we would therefore be wary of schemes such as that suggested by the SSEB. I agree with Peter Walker that the best time to take stock on the present arrangements will be when we have the views of British Gas and the Electricity Council on the operation of the present scheme.

There are possible practical implications for my Department which I should register at this stage. Although there might not be any operational problems for us in limiting the rebates to those on supplementary benefit if the rebate could be obtained by producing a current supplementary benefit order book or giro, if our local social security offices were asked to confirm whether or not customers were receiving benefit, there would be additional work, for which they do not have the staff. The constraint that this imposes will need to be borne in mind in any proposals the industries produce for amending the current arrangements.

I am sending copies of this letter to the Prime Minister, the Chancellor of Exchequer, the Secretaries of State for Energy, Trade and Industry, Environment, Northern Ireland and Wales and to Sir Robert Armstrong.

Yours Norman

NORMAN FOWLER

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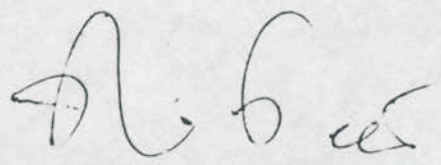
NASPM

AT 6/14

SECRETARY OF STATE FOR ENERGY
THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ
01 211 6402

The Rt Hon Peter Rees QC MP
Chief Secretary to the Treasury
Treasury Chambers
Parliament Street
London
SW1P 3AG

4 April 1984

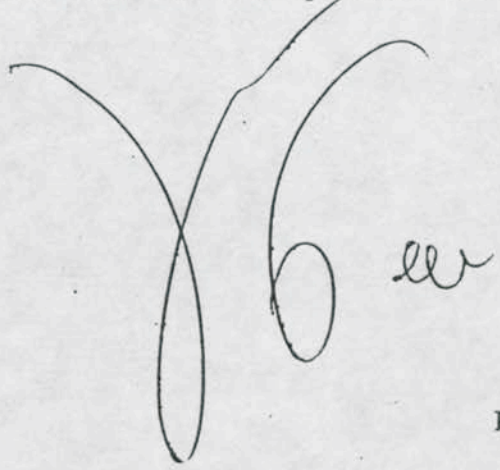


STANDING CHARGES REBATE SCHEME

Thank you for your letter of 16 March commenting on George Younger's letter to me of 27 February. I note from your points and in particular agree that the rebate scheme was not designed as a measure of social assistance.

My own letter of 16 March, to George Younger, mentioned that BGC and the Electricity Council are reviewing their schemes and promised a further response when I have the industries' views. I shall of course take account of your points at that time.

I am copying this letter to the recipients of yours.



PETER WALKER

Not. Ind. : Gas & Electricity Pricing Policy P. 9.

- 4 APR 1984

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Secretary of State

✓CCNO

Northern Ireland Office
Stormont Castle
Belfast BT4 3ST

NBPT

AT 14/3

The Rt Hon George Younger MP
Secretary of State for Scotland
Scottish Office
Whitehall
LONDON
SW1A 2AU

12 March 1984

John Younger

ELECTRICITY STANDING CHARGE REBATE SCHEME

will request if required

Thank you for copying to me your letter of 21 February to Peter Walker.

The Northern Ireland Electricity Service introduced the rebate scheme in February 1983 in line with the Electricity Boards in Great Britain. We do not seem to have experienced to anywhere near the same extent the problem experienced in Scotland. During the first year of operation results have shown that 60 per cent of the benefit has gone to recipients in need, including old age pensioners. Only 8 per cent has related to second home owners. Nevertheless, I do endorse your view that the assistance should be channelled to those in greatest need, provided this can be achieved without adding unduly to the scheme's complexity and cost. I therefore support your proposal to see if the scheme can be modified to concentrate help most fully on those in need. My own officials will of course be prepared to contribute to any such examination.

I am copying this letter to recipients of yours.

John Younger

4 MAR 1984

