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CERO

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

PRIME MINISTER

CROSS CHANNEL ELECTRICITY LINK

Peter Walker sent me a copy of his minute to you of 13 September.

2. It is welcome news that the first of the links to France could be providing electricity at its full capacity from October 1985. I well understand the dilemma which Peter faces over the second link which is intended, I believe, to be completed in the Autumn of 1986. Immediate utilisation would displace more coal and add to NCB's problems in getting back to break even. But forgoing the opportunity would create other problems:

a. we might actually need to use the second link if we had trouble with the NUM again during the winter of 1986-87. Opening negotiations with the French in such circumstances would be both controversial and liable to result in an extortionate price.

(b) We want to avoid the suggestion gaining public currency that we are prepared to contemplate what would be effectively import restrictions on electricity to help the NCB. In principle it is wrong to shelter the NCB and NUM from the competition of cheaper foreign supplies.

(c) Full use of this link offers a useful cost saving towards achieving a higher rate of return by the electricity boards.



3. On balance I should feel more comfortable if Walter Marshall negotiated at least the option to use the second link fully when it becomes available and to maintain the use of the first link at full capacity beyond the initial two-year period. He could consult again nearer the time about whether actually to proceed. In the meantime our financial planning should assume full use.

4. Since we have no locus over the CEGB's formal arrangements with their French counterparts, it should not be too difficult to distance ourselves from their decisions. Indeed too active intervention could lead to bids for grants to electricity in compensation which I could not contemplate.

5. Finally, Peter Walker's minute reinforces my worries about NCB's aspiration to expanding markets. Full use of these links would reduce electricity coalburn by up to 6 million tonnes a year (a loss of about 5 per cent of NCB's domestic markets). This was not taken into account in their previous investment bid (for over £3,000m in the 4 years to 1987-88). We shall need to look hard at the justification for this programme anyway. For the time being at least, I think it would be prudent to avoid public repetition of the £3,000m figure.

6. A copy goes to the recipients of Peter Walker's minute.

Judith Simpson

N.L.
18 September 1984

*approved by the Chancellor & signed
in his absence*

Energy

Aug. 84

Cross-Channel electricity link

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1984

12-23-84

COMMITTEE

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