



10 DOWNING STREET

From the Private Secretary

Prime Minister ①

The Chancellor and Mr Gregson have now responded to Mr Walker's minute on the Cross-Channel link. They both support full use of Stage I for imports from France. Indeed they suggest that the same logic points to full use of Stage II despite impact on NCB finances.

Agree 1 minute

- (i) supporting full use of Stage I
- (ii) endorsing Chancellor's argument about Stage II?

Yes not

AT  
19/9



*ble*  
*SLHADY*  
*cc David Pascall*

10 DOWNING STREET

*From the Private Secretary*

20 September 1984

CROSS CHANNEL ELECTRICITY LINK

The Prime Minister has seen your Secretary of State's minute of 13 September. She welcomes the fact that stage one of the link can be operational by October 1985 and she supports a two-year agreement to use the link fully.

The Prime Minister has also seen the Chancellor's minute of 18 September. Although no decisions need to be taken now, she agrees that the same link which pointed to full use of the capacity of stage one also points to full use of the capacity of stage two.

I am copying this letter to Len Appleyard (Foreign and Commonwealth Office), David Peretz (H M Treasury), Callum McCarthy (Department of Trade and Industry), Paul Thomas (Chancellor of the Duchy of Lancaster's Office), and Mr Gregson (Cabinet Office)

Andrew Turnbull

Michael Reidy, Esq.,  
Department of Energy

*SH*



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~~CC NO.~~  
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P.01388

MR TURNBULL

CROSS CHANNEL ELECTRICITY LINK

I understand that before he leaves today the Chancellor should be able to sign a minute broadly agreeing to a two-year agreement on the first stage of the cross channel electricity link on the lines proposed by Sir Walter Marshall and set out in the Secretary of State for Energy's minute of 13 September. The objective is to ensure that the first of the two links is not only constructed by 1 October 1985 but is also operational and capable of full usage by that date. This is highly desirable in the interests of improving power station endurance in the winter of 1985/86. A commitment to full usage of the link over the period October 1985 - October 1987 will of course reduce CEGB consumption of NCB coal during that time. I am sure however that, throughout that period, we shall wish to maintain power station endurance at the highest possible level. The extra coal can therefore be used to build up stocks at power stations. Since we shall be buying the French electricity at a price below the CEGB's marginal costs, this will be a far less expensive way of improving endurance than increased oil burn.

2. There may indeed be a case for full usage of the link after October 1987 and for a similar arrangement for the second link when it is completed in October 1986. The Chancellor may point out in his minute that this could be useful not only from the point of view of improving endurance but also as a way of bringing some of the pressures of the international market place into electricity supply. But the balance of advantage can be better judged nearer the time and, so long as we can ensure that options will not be closed, there is no need to take decisions now about the usage of the first link after October 1987 and the arrangements which might be appropriate for the second link from the autumn of 1986 onwards.



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3. Any announcement about the agreement, when it is finally reached, will, as Mr Walker points out, need careful handling. In particular we shall need to guard against the danger that it could be used to create disaffection among power station workers.

4. The Prime Minister will probably therefore signify her agreement to the Secretary of State's proposals, endorsing to whatever extent seems desirable any comments made by the Chancellor.

*PLG*

P L GREGSON

CONQUEROR

18 September 1984

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