



10 DOWNING STREET

From the Private Secretary

4 October 1985

ELECTRICITY AND GAS EFLs

The Prime Minister has seen the latest monitoring report on EFL. She is concerned at the prospect of a £710 million overshoot for the electricity supply industry, noting that this figure still does not reflect the effect of the coal strike. The lack of an up-dated EFL for 1985/86 must be undermining the much needed financial discipline in the industry. She believes that discussions on the EFL need now to be resolved very rapidly.

She has also seen that an overshoot is forecast for the EFL of the British Gas Corporation. She notes that this is unprecedented and is concerned about the implications for gas privatisation. She has asked what scope there is to compensate for the overshoot by tighter control of working capital, by trimming capital expenditure, by reducing operating costs, and by selling inessential assets.

I am copying this letter to Richard Broadbent (Chief Secretary's office).

(DAVID NORGROVE)

Geoff Dart, Esq.,
Department of Energy