



SECRETARY OF STATE FOR ENERGY

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ESI'S EFL 1986-87: SUPPLEMENTARY CAPITAL APPROVALS AND TARIFF
REVISION FROM 1 OCTOBER

Our officials have been discussing the Area Boards' request for supplementary capital approvals this year totalling £18.6m net of customer contributions.

The need for additional expenditure arises mainly because new business (which must statutorily be supplied) is growing at a faster rate than expected, because distribution systems need further reinforcement to cope with load growth and to improve security of supply and because of the need for extra expenditure on projects such as token meters (to reduce revenue losses), protection against child trespassers and increased efficiency (reorganisation and computer systems).

The case for the additional capital expenditure is, I believe, a strong one; and I should appreciate your agreement to the supplementary approvals being given.

I understand that the Treasury have foreseen a difficulty in that the ESI's Quarterly Progress Report for the quarter ending 30 June forecast a shortfall of about £30m against the EFL of -£1416m (after allowing for different assumptions about the date of consent for Sizewell). I have discussed this with Philip Jones who has assured me that the Industry will meet the EFL, after allowing for the additional capital expenditure by the Area Boards. Given this assurance, I shall be grateful for your agreement to approval of additional expenditure of £18.6m net by the Area Boards.

Philip Jones' assurance has a bearing, too, on the reductions in tariffs from 1 October, averaging 0.9%, about which I wrote to you



on 15 September. His assurance was given after taking account of these reductions. Due to the leaks that have occurred about them, the Electricity Council may decide to make an announcement after its meeting this afternoon.

I am copying this letter to the Prime Minister and members of E(A) Committee.

A large, stylized handwritten signature in dark ink, consisting of a large 'P' and 'W' followed by a cursive 'Walker'.

PETER WALKER

