

Prime Minister 2

Concerning news
about AGR
performance.

CENTRAL ELECTRICITY GENERATING BOARD

Sudbury House, 15 Newgate Street, London EC1A 7AU. Telephone 01-248 1202

N. L. W.

23.12

From: John Baker
Board Member
COVERING CONFIDENTIAL

19 December 1985

Nigel Wicks, Esq.,
Principal Private Secretary
to the Prime Minister,
10 Downing Street,
London, SW1A 2AA.

MS

Dear Nigel

AGR PERFORMANCE

You will remember that, when the Prime Minister visited the Heysham II power station construction site on 1 November, I made a presentation to her over lunch on CEGB's nuclear strategy, using a set of charts which I think you took away with you at the end of the day.

Since the Prime Minister's visit, we have taken another hard look at the prospective performance of our AGRs, and the attached copy of a letter from Lord Marshall to the Secretary of State for Energy records our current concerns. May I draw your attention to what is said on Page 1 about the cost of Heysham II and to what is said at the top of Page 2 about the continuing problems of getting adequate performance out of our first generation AGRs. As a result of these developments, I have revised the information that I provided on Page 6 of the set of charts I gave to the Prime Minister, and you may like a revised set for the record. Apart from giving a gloomier prognosis about AGR performance, there is no change to the basic messages we gave to the Prime Minister. You will note, however, that I've left the SSEB's Hunterston B station off Chart 6 this time, since we have, of course, not attempted to guess their latest position.

Yours sincerely
JL

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CENTRAL ELECTRICITY GENERATING BOARD

Sudbury House, 15 Newgate Street, London EC1A 7AU. Telephone 01-634 5111

From the Chairman

The Lord Marshall of Goring Kt, CBE, FRS

CEGB CONFIDENTIAL

18th December 1985.

The Rt. Hon. Peter Walker, MP,
Secretary of State for Energy,
Department of Energy,
Thames House South,
Millbank,
London, SW1.

cc: TRJ

Dear Secretary of State,

When we met last week, I mentioned to you a number of concerns I have about our AGR stations. None of these are yet at the point where I can give you firm information but in the spirit of our discussions in October, I felt it right to give you the earliest possible warning of difficulties ahead.

First, in the light of the problems over forecast expenditure on completion of the AGRs which arose a few months ago, we have been giving careful thought to our procedures for review of estimated costs to completion (ECTC) of our major construction projects. The object of the improved arrangements we are introducing will be to give the Executive and the Board the earliest possible warning of changes in ECTCs though, of course, we must recognise that in most cases the earliest possible warning will be a very approximate rather than accurate one. Against this background, I have in particular initiated an exhaustive and fundamental review of the Heysham II project to ensure that we have a fully realistic central estimate of the outturn cost of the project. The results of this review should be available early in the New Year. I will, of course, ensure that these are made available to the Department immediately but I should warn you now that I expect to see some modest increase.

Secondly, we have kept you informed of the difficult and prolonged commissioning process we are going through with the six reactors at Dungeness 'B', Hartlepool and Heysham I. Five of these reactors have produced substantial commercial output and the last one at Dungeness 'B' should be synchronised to the grid system before Christmas, but production continues to be interrupted from time to time because of continuing technical difficulties of different kinds. The design of these AGR stations differs in many important respects from the successful station at Hinkley Point 'B', and we cannot rely entirely on operational experience at Hinkley to avoid all the problems inherent in what are still prototype reactors. I am not yet confident that the commissioning process is near to completion. Any shortfall in the anticipated production from these stations will have to be replaced by more costly power produced by coal-fired generation and if we continue to have significant troubles with these stations, the additional cost could affect the price to the consumer if we are to meet our EFL and financial targets.

The design of these older AGR stations has in some areas been overtaken by more recent attitudes to safety and I anticipate that at some time in the future, we may have to face expenditure to bring, for example, the fuel handling provisions up to present day safety standards. The advances in information technology over the past few years are such that I am reviewing the existing control facilities, particularly the data presentation and alarms in control rooms, and it may be necessary to consider further capital expenditure in this area.

The third problem area concerns Hinkley Point 'B'. You may know already that the AGR station at Hunterston owned by the SSEB has recently reported cracking to the base of some of the standpipes through the reactor pile cap. I am pleased to tell you that we have not so far detected any similar occurrence at Hinkley. However, these two stations are of the same design and although the onset of cracking at Hunterston may have been affected by local workmanship during construction, or by the subsequent mode of operation, it may nonetheless be prudent to anticipate similar cracks developing at Hinkley in the next year or two. We are co-operating with SSEB in determining how repairs can be carried out. We do not yet have a definitive answer but the repair process is likely to be expensive and may involve a prolonged outage.

As you would expect, we are devoting considerable resources to tackling these problems and their possible financial consequences. I will ensure that you are kept informed..

I am sure you will understand that I do not like writing to you with a list of worries which I cannot quantify. However, if I wait until I can quantify my concerns, you will complain (again) that I have not told you early enough. I am copying this letter to Philip Jones because of the risk that these matters affect our financial performance. However, at this point in time, we are not ready to concede that they will and we are working very hard indeed to see our way through all these problems.

Yours sincerely,

Walter Marshall

Marshall of Goring

c.c. Mr. F.E. Bonner
Mr. J.W. Baker ✓
Mr. G.A.W. Blackman
Mr. D.A. Davis
Mr. J.G. Collier
Mr. S.C. Goddard
Mr. J.D. Harrison
Mr. F.P. Jenkin
Mr. F. Ledger
Mr. R.R. Matthews
Mr. J.R. Uttley
Mr. P.N. Vey
Mr. R.E.D. Coldwell
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Dr. J.K. Wright
Mr. C.H. Hickey