

cc A. Duguid

CONFIDENTIAL

Nationalised Industries 2



Sent by air
from Ministry
Mr Mr [unclear]
Mr [unclear]
[unclear]
16.4

~~PRIME MINISTER~~
This is the minute
you were expecting
from Mr Howell.
MS

PRIME MINISTER

ELECTRICITY (ENGLAND & WALES) EFL 1980-81

As I mentioned to you informally yesterday, I am continuing to press the electricity supply industry for maximum economies with a view to their meeting their 1980-81 EFL and projected financial return. I have told them it is imperative that they cut costs further.

The position which the industry have reported to me is that they have experienced considerable adverse movements in their costs (predominantly fuel) since the EFL and the financial target were set.

Despite every effort to make economies they foresee the need for their planned second tariff increase this year to be 10%, in July (or possibly August). They will be discussing this at a meeting of the Electricity Council on Thursday 17th April. This discussion, the outcome of which will be reported to me, is not expected to result in final decisions, or in any immediate publicity. But if the industry (whose prerogative it is to determine tariffs) were to wish to go for an increase in July, preliminary work would need to be set in hand immediately, with a view to approaching the industry's various Consultative Councils in early May, when any proposal could be expected to become public.

I shall be putting a paper to E Committee very shortly, discussing the inter-related questions of achieving the EFL, maintaining adequate progress towards the financial target and the size and timing of the second tariff increase. In addition to seeking full information about economies, I have asked the industry to indicate the effects on their tariff proposals of variations in the key fuel assumptions. (A difficulty here is that lower fuel price assumptions could put the EFL at risk if they proved over-optimistic). The Chairman of the Electricity Council is aware that we shall be considering these matters very soon, and that the Government will wish to be satisfied as to the

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need for both the size and timing of the eventual tariff increase proposed.

I am sending copies of this minute to E Committee colleagues, the Secretary of State for Scotland and Sir R Armstrong.

DIA

SECRETARY OF STATE FOR ENERGY

16th April 1980



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MAY 11
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