



PRIVY COUNCIL OFFICE  
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### ELECTRICITY PRICES

The Central Electricity Generating Board (CEGB) will today (14 March) announce its revised Bulk Supply Tariff (BST) for the whole of 1980/81 (the wholesale electricity price to Area Boards on which they base their tariffs to consumers). Also Area Boards are now formally publishing revised tariffs to take effect from 1 April showing increases averaging 17% (the first of the two stage phasing of the industry's 1980/81 increase requested by Ministers last November). Most of the Area Board announcements are expected next week.

The BST structure is complex and is designed to relate prices as closely as possible to the cost of production at different times of the day (ie when cheaper base load or more costly peak load plant may be in use). The Generating Board will explain that it is a tariff for Area Boards and not for the consumer. Publication may revive recent press speculation that the level of the second Area Board tariff increase later in the year would need to be higher than earlier anticipated. Arguments quoted - although in no way accepted by Ministers - were increases in the industry's costs and a fall in demand due to the mild winter and the steel strike. Reference was also made to the industry's revised lower load forecasts for seven years ahead and possible cuts or deferments of capital projects. It was also suggested that the Government's energy conservation campaign had contributed to the reduced demand and so to higher prices.

Demand is only one of a number of factors affecting the industry's costs and the Government's conservation programme is only one of the factors acting on demand in the long-term. The key cost element is fuel costs over which the industry has little control and which now accounts for half the final price

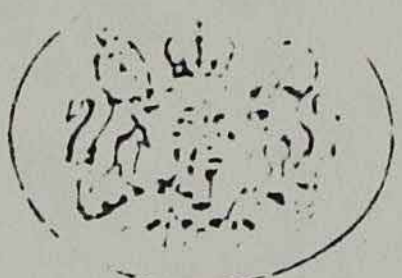


of electricity. The Government would not accept that the effect of fall in demand should automatically be passed on to consumers in increased costs. There would be a danger in this of a vicious circle with increasing prices further reducing demand. This danger is fully recognised by the industry and it is vigorously seeking to identify further economies.

LINE TO TAKE

- (i) the changing financial position of the electricity supply industry as a whole for the next year is being reviewed with them in the light of their already announced three year financial target;
- (ii) the industry faces steep increases in fuel prices and reduction in demand, and they are vigorously seeking to identify further economies. The Government do not accept that costs arising from reduced demand should be automatically passed on to the consumer;
- (iii) precise tariff increases are the industry's responsibility. But the three year financial target requires it not only to cover costs but also to earn an adequate return on the substantial sums of public money invested in it;
- (iv) the Government has asked the industry to phase this year's price increase in two stages. Area Electricity Boards are proposing price increases averaging 17% from 1 April. The size and timing of the later increase will depend on movement in the industry's costs;
- (v) the Government has undertaken to make extra provision for the elderly and others on low income who may need help with fuel bills. We shall announce our proposals in good time for next winter.





Boards	Tariff Increases (%)	
	Domestic Class	Industrial Class*
London	18.0	8.7
South Eastern	17.3	6.2
Southern	18.4	7.7
South Western	16.9	8.6
Eastern	17.8	6.0
East Midlands	16.7	4.1
Midlands	17.9	4.1
South Wales	18.1	6.2
MANWEB	17.8	4.4
Yorkshire	18.2	5.3
North Eastern	17.4	8.1
North Western	16.2	4.8
Overall	17.6	5.7

\* Excluding fuel cost adjustment increases to monthly billed consumers which are expected to add a further 10.7% to these figures



STATEMENT BY THE SECRETARY OF STATE FOR SOCIAL SERVICES

14 MARCH 1980

GOVERNMENT TO PROVIDE EXTRA HELP TOWARDS FUEL BILLS

Mr Patrick Jenkin, Secretary of State for Social Services, today repeated earlier pledges that the Government will give extra help to those on low incomes - including the elderly - so that effects of higher gas and electricity bills will be cushioned next winter.

In a statement today he said: "The Government is agreed on the necessity of an energy pricing policy which is realistic. But at the same time, from the beginning of our discussions on increased gas and electricity prices, we have always had in mind the need to help the elderly and those on low incomes. We recognise that without Government help they would be particularly hard hit by the increased bills which will be necessary in the overall national interest next winter.

"The Government is reviewing the whole range of assistance available to help the most vulnerable consumers with their fuel bills. As the Prime Minister and the Secretary of State for Energy told the House of Commons in January, we intend to make extra provision for those on low incomes who need special help.

"Detailed proposals for new measures are in the final stage of discussion and I hope to make an announcement before the Easter recess of Parliament. I want those who will have most difficulty in meeting the increased bills to have the necessary assurance of our intention to deal with the social implications of the Government's energy pricing policy."

Note to Editors

Heating additions are paid to approximately 70% of all supplementary pensioners and to many other supplementary benefit recipients at a cost in 1979 of £93 million.



From November 1979, a number of changes were introduced which provided an additional £16.5 million a year to approximately 345,000 families and pensioners.

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