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SECRETARY OF STATE FOR ENERGY  
THAMES HOUSE SOUTH  
MILLBANK LONDON SW1P 4QJ

cc. A. Duguid. MS

01 211 6402

CONFIDENTIAL

N Sanders Esq  
Private Secretary to the  
Prime Minister  
No 10 Downing Street  
LONDON SW1

// April 1980

Dear Nick,

REVIEW OF THE AGRS

Tim Lankester's letter of 8 April circulated the note of the meeting of Ministers of 3 April under the Prime Minister's Chairmanship. The note recorded Ministers' decision that on balance they were prepared to accept that the Heysham II and Torness AGR stations should be built as planned, and that my Secretary of State should reserve a statement about this until it could be made to the House of Commons after the Easter recess.

My Secretary of State has to answer oral questions on Monday 14 April, and there are questions down about the nuclear programme, including one specifically about AGRs. He thinks that it would be opportune to announce the Government's decision in answer to these questions. The questions are as follows:

Mr Frank Hooley (Sheffield Heeley): To ask the Secretary of State for Energy, what action he is proposing to take on the Government's nuclear power programme prior to the receipt of the report of the Central Policy Review Staff on the nuclear power stations at Heysham and Torness.

Mr Arthur Palmer (Bristol North East); To ask the Secretary of State for Energy, what steps he is now taking to make possible the announced expansion of the nuclear power programme, in view of the difficult financial position of the Central Electricity Generating Board and the cash-limits imposed by Government policy.

Mr Peter Rost (South East Derbyshire): To ask the Secretary of State for Energy, what progress has been achieved in the implementation of the programme of nuclear power construction since his statement of December 1979.

Mr John Evans (Newton): To ask the Secretary of State for Energy, if he is still committed to the building of the advanced gas-cooled reactors he announced in his statement of 18 December 1979.



(2)

He proposes the following answer:

"With permission, Mr Speaker, I will answer this question and Nos ..... together.

As the House knows, the Government has reviewed the proposal to construct new advanced gas-cooled reactor power stations at Heysham and Torness. The Generating Boards reaffirmed their strong wish to proceed with the stations; the Government has decided that this would be right.

We are going ahead with the measures announced in my statement of 18 December which provides a framework for the development of the nuclear programme".

Your letter of 9 April asks for briefing on this subject for the Prime Minister's use when she gives a television interview on 14 April. I attach the notes for supplementaries which the Department has prepared for my Secretary of State, also a background note. If the Prime Minister is content with the proposed answer, she may care to draw on it and on the notes for supplementaries. I also attach notes on nuclear power policy more generally, in case they should be of use.

We hope also to be able to announce on Monday 14 April the appointment of Mr Denis Rooney to the Board of the NNC and subsequently to the Chairmanship.

I am sending copies of this letter to the Private Secretaries to Members of E Committee, the Secretary of State for Scotland, Sir Robert Armstrong and Mr Ibbs.

*Yours ever,*

*Denis*

Denis Walker  
Private Secretary

Submitted  
as a  
separate  
briefing  
slides.  
Copy now  
attached



cc Mr. Leighton  
~~Mr. Hooley~~  
~~Mr. Haonard~~

cc Press Office

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 11 APR 1980  
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SECRETARY OF STATE  
 THAMES HOUSE  
 MILLBANK LONDON

01 211 6402

*Amidhurst*  
 The Cabinet, Min (Flas A)  
 have some comments on  
 the Supplementaries which  
 I think we should feed  
 in. Otherwise, Content?

CONFIDENTIAL

N Sanders Esq  
 Private Secretary to the  
 Prime Minister  
 No 10 Downing Street  
 LONDON SW1

Dear Nick,

*There must be some  
 reference to other economies,  
 it was only on that  
 basis that cabinet agreed.  
 Has D. H. been  
 A.W. letter?*

11 April 1980

REVIEW OF THE AGRS

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*Yours ever,*

*Denis*

Denis Walker  
Private Secretary



## SUPPLEMENTARIES

Q WHY ARE WE GOING AHEAD WITH THESE AGRS?

A The review which the Government undertook considered all aspects of the matter. My Rt Hon Friend the Prime Minister referred to the industrial aspects in a recent Answer. Our strategy is to keep open the choice of reactor for future orders.

In these matters, one must have regard to the wishes of the customer; both Generating Boards made it clear that they wanted to proceed with the stations, not least because they believe there is a strong economic case for them on cost saving grounds.

Q WHAT WILL THE TWO STATIONS COST?

A The Generating Boards' latest estimates of capital cost at March 1980 prices, including initial fuel but excluding interest during construction, are £2450m (£1250m for Heysham and £1200m for Torness).

Q HOW CAN WE BE SURE THAT THE DISASTER OF THE LAST AGR PROGRAMME WILL NOT BE REPEATED?

A The design of the new stations is based on that of Hinkley Point B and Hunterston B, the two AGRs which are completed





and working. The Generating Boards have learned from the problems encountered with building what amounted to three different prototypes, and starting on site when design work was insufficiently advanced. Construction and manufacture for Heysham II and Torness is being preceded by a design phase to ensure that when it does begin it can proceed quickly on the basis of firm design.

Q WHAT ARE THE ELECTRICITY SUPPLY INDUSTRY'S CURRENT DEMAND ESTIMATES AND HOW DO THEY COMPARE WITH PREVIOUS ESTIMATES?

A The Electricity Council currently estimate that simultaneous maximum demand in England and Wales in 1986/87 under average cold spell conditions will be 48.5 GW, a reduction of 3.5 GW compared with previous estimates. This represents an annual growth rate of 0.9%, from 1979/80 compared with the rate of 1.7% previously forecast.

Q WHAT IMPLICATIONS DO THE REDUCED DEMAND FORECASTS HAVE FOR FUTURE POWER STATION ORDERS?

A The implications of the revised load forecasts are being carefully examined. We believe that nuclear power will have an important role to play in our long term energy strategy.



Q WHAT IS THE FINANCIAL POSITION OF THE ELECTRICITY SUPPLY INDUSTRY?

1979/80

A [As I recently announced, the External Financing Limit for the supply industry in England and Wales has been increased by £300m (from (-)£68m to (+)£232m), primarily because of the successful build up of fuel stocks which, in the increasingly uncertain world energy situation, the Government welcomes. The increase has not added to the public expenditure planning total.] The industry's External Financing Limit for 1980-81 is £187m. This is consistent with the decision to go ahead with Heysham II.

Q HOW IS THE PWR AFFECTED?

A It remains the Government's wish that subject to the necessary consents and safety clearances, the next new nuclear power station order should be for a PWR station.

Q WHEN WILL A NEW CHAIRMAN OF THE NATIONAL NUCLEAR CORPORATION BE ANNOUNCED?

A I am not yet in a position to make an announcement. It is very important to get the right person for this role. I hope to make an announcement shortly.





Q WHEN WILL THE CEGB ISSUE A LETTER OF INTENT TO THE NNC ON THE PWR?

A I expect this letter to be issued shortly.

Q WHAT WILL BE THE COST OF THE NUCLEAR PROGRAMME ANNOUNCED ON 18 DECEMBER 1979?

A The capital cost of the next one or two stations to be built is provisionally estimated by the CEGB to be some £1,000 per Kilowatt. It is too soon to make specific estimates for subsequent stations.

Q WHAT WILL BE THE COST OF ELECTRICITY NUCLEAR POWER?

A Current CEGB estimates indicate that generation costs for the next thermal nuclear stations will be lower than those for fossil fuelled plant ordered at the same time.



Q. WHAT ROLE DO YOU SEE FOR NUCLEAR POWER IN UK ENERGY POLICY ?

A. Our oil and gas supplies from the North Sea will eventually decline. Coal and energy conservation both have long term potential. But we believe that nuclear power must also have an important role to play as one element in a balanced energy policy for meeting the UK's long term energy requirements.

The prospect of at least one new order p.a. in the decade from 1982 that was announced in December is not a crash programme. Indeed, if orders are no greater than this we will still have less nuclear capacity in the year 2000 than France or Japan plan to have in 1985.

Q. IS THE PWR SYSTEM SAFE ENOUGH FOR THE UK, PARTICULARLY AFTER HARRISBURG?

A. In their generic safety study, of which a substantial summary has been published, the Nuclear Installations Inspectorate concluded that there was no fundamental reason for regarding safety as an obstacle to the selection of a Pressurised Water Reactor (PWR) for commercial generation in Britain.

The Inspectorate have also published their assessment of the Kemeny report on the Three Mile Island nuclear accident in the U.S.. They came to the firm conclusion that the underlying causes were organisational rather than due to inherent weakness in the concept or design of the PWR.

The Government have said that the building of a PWR in the UK will be subject to a public inquiry and to full UK safety clearances. The principal safety documentation supporting the licensing of the PWR will be prepared with a view to being made public at the inquiry.

Q. WHAT FORM WILL THE PWR INQUIRY TAKE ?

A. The Government have made it clear that we intend the inquiry to be full and thorough.

Q. WHAT IS THE POSITION ON THE FAST REACTOR ?

A. Fast reactor policy is being considered by the Government in the light of the advice of the Atomic Energy Authority and others concerned. These are complex matters and cannot be rushed. A statement will be made in due course.

Q. WHAT IS THE POSITION ON THE ORGANISATION OF THE NUCLEAR INDUSTRY ?

A. The measures that are in hand, following the Secretary of State for Energy's statement of 18 December, now provide the basis for the steady development of a strong nuclear industry in the UK.

Q. DO THE NUCLEAR INSTALLATIONS INSPECTORATE HAVE THE RESOURCES TO COPE WITH THE PWR ?

A. It is true that the NII are below full strength, but they are arranging their work so as to ensure that the necessary resources for the PWR, as well as for the AGR programmes and for the safety of operating stations, are available. The Government will watch the situation and support the Health and Safety Executive in ensuring that adequate resources are available to the NII.

Q. WHAT ABOUT THE THREATENED MOVE OF THE NII TO BOOTLE ?

A. ~~The Government do not consider that it is essential to retain the Inspectorate in London. However,~~ The dispersal of Health and Safety Executive posts from London will be phased over some years in order to minimise staff problems. I understand that no nuclear inspector at present working in London will be required to move to Merseyside before 1985.





BACKGROUND

1 The capital costs of constructing the two AGRs at Heysham and Torness are estimated by the Generating Boards to be some £2500m at current prices. The stations are planned to be commissioned in 1986-88.

2 The Government review of these orders concluded that, although they were not strictly needed now on demand grounds, it was important to keep open the choice of reactor for future orders. In addition, both Boards want to proceed with the stations, not least because they believe there is a strong economic case for them on cost saving grounds.

3 Work on site is scheduled to begin within the next few months. The turbines are to be made by GEC (Torness) and NEI Parsons (Heysham). Boiler orders will be going to NEI Clarke Chapman, with work sub-contracted to Babcock. Many other companies throughout British industry will be involved, as Taylor Woodrow, MacAlpine, Whessoe, Howden and Strachan and Henshaw.