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SCOTTISH OFFICE  
WHITEHALL, LONDON SW1A 2AU

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PRIME MINISTER

WITHSTANDING A COAL STRIKE

I have seen a copy of the Home Secretary's minute to you of 22 July. On the immediate issue of maximising power station oil stocks over the summer, the position of the Scottish Electricity Boards is that they could take a further 180,000 tonnes of oil, which might cost of the order of £16m. Since the Scottish generating system could with existing fuel stocks withstand a coal strike for somewhat longer than the CEGB system any additional oil stocks would be likely to be used to export power to CEGB. It is for the Secretary of State for Energy to judge the value of these exports in terms of CEGB's endurance. The Scottish Boards would undoubtedly consider that they should be compensated for the cost of purchasing and holding these additional stocks, because in normal operation the Scottish system burns virtually no oil.

I note that the Secretary of State for Energy will shortly be circulating a note on the scope for increasing endurance in the longer term. I understand that in Scotland the Electricity Boards see no serious physical difficulties in increasing their coal stocks to a level which, with some oil burn and with expected levels of output from nuclear, hydro and gas-fired plant, would provide at least 20 weeks' endurance by November 1982. Given uninterrupted deliveries of oil the Boards should also be able to sustain 1000 MW of exports to CEGB during that period. To achieve this level of endurance, however, the Boards would have to embark very soon on a major programme of construction to increase storage capacity at power stations for ancillary supplies. They consider that the construction work would take at least 15 months and that the cost of construction and the additional supplies would be around £20m. This timetable suggests that we need to reach an early decision on our plans for 1982/83. One factor which we shall have to weigh carefully is that the additional measures which the Boards would have to take will inevitably become widely known. Again the Boards consider that as this level of stocks of fuel and ancillary supplies would be well in excess of that dictated by normal commercial prudence, they should be reimbursed in full for the additional costs involved. There is room for argument about what normal commercial prudence means in the circumstances we face. If we took the view that the Boards' consumers should bear the costs, the interest charges on the additional

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borrowing for the extra coal and for the extra ancillary supplies and the related construction programme would add around 1% to the Board's tariffs in 1982/83.

I am copying this minute to the Home Secretary, the Chancellor of the Exchequer, the Chancellor of the Duchy of Lancaster, the Secretaries of State for Industry, Employment, Energy, Defence and Transport, and to Sir Robert Armstrong and Mr Ibbs.

C.Y.

SCOTTISH OFFICE  
30 JULY 1981

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