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Prime Minister (F)

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John Sparrow Esq
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25th January 1983

John Sparrow

CPRS REPORT ON ELECTRICITY PRICES

Thank you for your letter of 17 September. I do indeed agree with the main thrust of the conclusions and recommendations in the CPRS report. Your analysis of the impact of electricity prices on British industry was particularly valuable.

Taking the report's recommendations as you have listed them:

- a. I agree that more of our electricity should be generated by nuclear power but, for the moment, we must await the outcome of the Sizewell inquiry;
- b. I am discussing with the CEGB and NCB proposals to relate the price charged for coal more closely to import prices;
- c. I recognise the case for a longer term scheme for load management. The Electricity Council is already considering what should replace the present scheme when it expires in March 1985, taking account of developing technology;
- d. The present Area Board "flexibility" arrangements were introduced less than two years ago, to help intensive electricity users face overseas competition. However, the successor to the present load management scheme might replace them in due course;
- e. I am discussing the possibilities for more sophisticated tariffs with the industry;
- f. I agree that the terms for the transfer of electricity between private generators and the esi should encourage competition, though without subsidy on either side. This principle is reflected in the Energy Bill which is now in Committee;

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g. I agree that the case for the sale or lease of CECB plant to customers should be explored and applications considered on a case by case basis. However, your report says, except perhaps in a small number of cases, it is doubtful whether the sale of CECB plant on economic terms would be attractive to industry and there is no case for a sale on subsidised terms.

I am sending copies of this letter to recipients of yours.

*Yours
Nigel*

NIGEL LAWSON

5 JAN 1983





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From: John Sparrow

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17 December 1982

The Rt Hon Nigel Lawson MP
Department of Energy
Thames House South
S W 1

Dear Nigel,

CPRS Report on Electricity Prices

At the meeting which the Prime Minister held on 2 December to discuss electricity prices, you said that you agreed with the main thrust of the conclusions and recommendations of the CPRS report; but the meeting did not have the opportunity to discuss the CPRS report fully. The main recommendations which remain outstanding are that:

- (a) every effort should be made to ensure a nuclear programme which will substantially increase the contribution of nuclear plant to electricity generation by the end of the century;
- (b) NCB coal prices to the CEGB should be set on economic energy pricing criteria related to import prices;
- (c) in due course a permanent, cost reflective load management scheme should be devised;
- (d) the 3 per cent flexibility allowance should be phased out in due course;
- (e) more sophisticated terms should be offered in tariffs and contracts;
- (f) the terms for the transfer of electricity between private generators and the electricity supply industry should be such as to stimulate competition with the electricity industry; and
- (g) the case for the sale or lease of CEGB plant should be explored and applications from industry considered on a case-by-case basis (agreed for ICI only at this stage).

Prime Minister (2)

Ms 20/12

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I would be grateful to learn in due course how you view these recommendations and what action you might take.

I am sending copies of this letter to the Prime Minister, Geoffrey Howe, Patrick Jenkin, George Younger, Leon Brittan, Robert Armstrong and Peter Gregson.

Yours sincerely,
John.

John Sparrow

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