



DEPARTMENT OF ECONOMIC DEVELOPMENT

NETHERLEIGH
MASSEY AVENUE
BELFAST
BT4 2JP

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Telephone 63244

Peter Walker Esq MP
Secretary of State for Energy
Department of Energy
Thames House South
Millbank
LONDON
SW1P 4QJ

Peter Walker

7 August 1984

Jim Prior has asked me to write to you on his behalf to draw your attention, and that of colleagues, to an awkward problem that we face in relation to electricity tariffs in Northern Ireland as a result of the current miners' dispute.

Supplies of coal to the Northern Ireland Electricity Service (NIES) have dried up completely and the Service, which had previously been maximising its coal burn, has had to switch to oil-fired generation, with a consequent increase in costs currently running at about £800,000 per month. Since NIES runs an operating deficit which is funded by Government, these extra costs will represent an additional demand on public expenditure unless we take steps to avoid this. The natural course of action would be to increase electricity tariffs - by 3% if it is assumed that coal supplies will be resumed on 1 October, or by 4% if the date of resumed supply is assumed to be 1 November. To make such a move in Northern Ireland ahead of action in Great Britain would, however, run directly against our firmly stated policy of keeping Northern Ireland electricity tariffs in line with the highest in England and Wales, and would therefore provoke a political furore in Northern Ireland - but we may have no option but to grasp that nettle.

More crucial, however, is the need to reconcile any such increase in tariffs in Northern Ireland with our overall attitude to the miners' dispute and its effects. Any reasons which we might advance for so recouping additional costs in Northern Ireland could be held to apply equally to the rest of the United Kingdom. It would clearly be much more acceptable politically if any tariff increase in Northern Ireland followed a similar rise in Great Britain, and maintained the relationship which currently exists. If there is likely to be any decision in the early Autumn to raise tariffs in Great Britain (as Norman Tebbit appeared to be hinting last week) then this would create the necessary room for manoeuvre in Northern Ireland; but if any decision on raising tariffs in Great Britain is likely to be postponed much beyond early September, our difficulties in Northern Ireland will multiply. The required 4% increase at 1 November rises to 9½% if applied from 1 January / and that of course would not take account of the additional cost of

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Peter Walker Esq MP

of our normal oil burn arising from higher sterling oil prices⁷. The later the decision, the greater the size of the tariff increase, or, alternatively, the shorter the time available to find funds to meet the extra public expenditure provision which would be in a cash limited area and quite impossible to cover. It is that impossibility which is at the heart of our problem.

I appreciate, of course, that there are many sensitive considerations to take into account. But I thought I should alert you now to the additional difficulties we face in Northern Ireland, so that they may be taken into account in your thinking. If considerations of national policy mean that no decision to raise tariffs in Great Britain is to be taken by early September, then I will need to consult you and our colleagues again with a view to deciding whether tariffs should be increased uniquely in Northern Ireland.

I am copying this letter to the Prime Minister, to the Chancellor of the Exchequer, and to Sir Robert Armstrong.

Yours ever
Adam

ADAM BUTLER

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Electricity Pies

- 8 AUG 1984





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

01 211 6402

Adam Butler Esq
Department of Economic Development
Netherleigh
Massey Avenue
BELFAST
BT4 2JP

15 August 1984

As per

Thank you for your letter of 7 August about electricity tariffs in Northern Ireland and the effects of the miners' strike.

There is no plan to raise electricity tariffs in Great Britain during the strike. This conclusion was reached after careful consideration of the impact of any such move on the handling of the strike itself and of the scale and nature of the extra costs arising from it. The position will be reviewed when the strike ends.

Meanwhile I am grateful to Jim Prior and to yourself for bringing your situation to my attention.

I am copying this letter to the Prime Minister, to the Chancellor of the Exchequer, and to Sir Robert Armstrong.

P Walker

PETER WALKER

Gas & Electricity. NAT. IND. Pt 9.

