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Prime Minister

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Ref. A087/3314

PRIME MINISTER

You are discussing this with Mr Parkinson on Monday 14 December. Best to reserve judgement until then.

Electricity Privatisation

I had a "non-visit" from Lord Marshall of Goring this morning. He came at his request.

N.L.W.  
25.11

2. He said that he did not know what solution the Secretary of State for Energy was going to propose for dealing with the problems of generation and transmission in a privatised electricity system; but, if he was reading the signals rightly, it seemed likely that the Secretary of State was thinking in terms of a solution which he (Walter Marshall) knew would be unworkable. This solution would involve putting the responsibility for maintenance of supply on to the company managing the grid and breaking up the Generating Board, so that the operators of the grid bought in the supply they needed from a number of different and competing generating companies. Lord Marshall said that he and his colleagues on the Generating Board had considered and discussed the matter at great length, but he and they were convinced that, though this proposition was attractive to the economists, it would be unworkable in practice, and would lead to large increases in the price of electricity and high risk of breakdowns in supply. He expanded at some length upon the reasons for this, but what it comes down to is that in his view such an arrangement would break down because of the divorce between responsibility for meeting the demands for electricity and responsibility for managing the resources which supply it.

3. Lord Marshall thought that the Secretary of State might be counting upon his loyalty to the Government in general and to you in particular to accept and work such an arrangement. He



wanted me to make it clear to you that he could not with integrity do so, and that if such a solution were proposed, he would resign (and his whole Board with him) and would explain publicly the reasons why the proposal was unworkable. He thought that he would have no difficulty in establishing that in public opinion.

4. He was at pains to say that he did not want to cross swords with the Government or with you in particular, and would be ready to try to discuss possible solutions that would work: he was not seeking to insist upon the status quo. But he was equally anxious that you should be aware that he would not be able to respond to appeals to loyalty if the Secretary of State went ahead with proposals which in his considered judgment would be unworkable and would have the consequences which he foresaw.

RTA

ROBERT ARMSTRONG

25 November 1987