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Prime Minister,

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11 FEB 1982

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17 February 1982

John

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Thank you for your letter of 12 January about the possible impact of the ASLEF strike on gas consumers with interruptible contracts. I am sorry that Joe Egerton felt unable to rely on the discretion of my officials although, thanks no doubt to your persuasion, he did subsequently contact David Mellor's office.

Since some 85% of oil deliveries are made by road or pipeline, it seems unlikely that ASLEF's action will prevent British Gas's customers with interruptible contracts from getting a sufficient supply of their alternative fuel. There has been some disruption to the normal pattern of oil distribution, caused by the recent bad weather, not the strike, but the oil companies say that they are being flexible towards people in difficulty.

BGC say that interruptible contracts are essential to balance supply and demand, and for the operational flexibility and security of the transmission system. As you rightly surmise, they do not of course interrupt unless they have to. However, demand for gas this winter has been breaking all previous records and, even after all interruptible supplies have been cut off, BGC have only been able to meet the peaks by using their limited supplies of expensive stored gas.

Looking to the longer term, you will know that one of the main proposals in the Oil and Gas (Enterprise) Bill, now before Parliament, is to allow the private sector to compete with BGC for the right to supply gas to most industrial and commercial consumers. This should ensure a better match between supply and demand for gas in future although this will inevitably take a little time. It should also allow consumers to choose from among the competitors for their business, the terms and conditions of supply which they prefer.

I am copying this letter to the recipients of yours.

John
Nigel

NIGEL LAWSON

17 FEB 1982

