

# Power Plant Ball Games: Season 4 has begun

By Dr Tilak Siyambalapitiya

The year was 1999. The country was approaching a severe shortage of power generating capacity, with blackouts in the horizon. Engineers had previously planned to build major power plants to be operational by 1992, but their plans had been repeatedly thrown out of balance. President 1 did his best to build the power plant at Trincomalee, but failed; President 2 pushed it to the South, while his Energy Minister scuttled a tender for a stop-gap diesel power plant, which finally resulted in the severe blackouts of 1996. Then in 1994, the Secretary Finance to President 2, pushed the site again, this time to Puttalam. The merry go round from Trincomalee to Matara to Puttalam took five years to move from one location to another, while building oilpower plants in the interim, to meet the growing demand for electricity.

So what happened in 1999? President 4 was in power, but the Catholic church and environmental NGOs were breathing fire on the President. Instead of getting independent advice, the President refused to send the request to Japan to finance the Norochcholai power plant project. President 4 continued into the 21st century, and was co-habiting with Prime Minister, when the project came up again for approval for Japanese funding.

Prime Minister, on March 31, 2002, invited the Japanese Ambassador to PM's residence, and told: "CEB Engineers have misled the previous government and the present government. My government does not need Japanese funds to build the power plant in Norochcholai, which is now cancelled."

Can anyone guess the cost of the PM's slap on the Japanese Ambassador and the people of Sri Lanka and its impact on the economy? The damage was in excess of four billion dollars to the economy, over 2004-2014, the period over which the Norochcholai power plant was scheduled to be fully operational. What were the four billion dollars spent on? To provide jobs and to set up industries? No! It was to burn oil in emergency and short-term power plant contracts with the private suppliers, to serve the demand for electricity, while the politicians continued with their ball games with power plants. Who paid those extra four billion dollars? You, the electricity customers! Were the four billion dollars invested in power plants or to a useless airport? Oh, no,

that was to burn diesel until the politicians finally ended their ball game over the Norochcholai power plant with the power plant completed in 2014.

In 2005, President 5 finally decided to build the power plant, this time with Chinese funds, and he literally ended up buying a Chinese product at a Japanese price. Terms of interest on the Chinese loan were reportedly several times the interest on the Japanese loan that Prime Minister had rejected in 2002. The power plant was built and brought into operation by 2014.

The church which some feared would be destroyed is sitting pretty and holy, 11 km north of the power plant. Fish that were to be dead and floating because of the power plant, are doing fine! Additional security staff that was to harass the locals, are playing real games with the locals. The Kalpitiya peninsula has a brand new highway. Electricity customers all over Sri Lanka who were paying Rs. 23 for a unit of electricity in 2013, have now been getting it for Rs 15, since 2015. That is approximately the benefit of the Norochcholai project. If you do not believe, read the annual electricity costs published by the Public Utilities Commission. Also read the annual reports of CEB and LECO. So what about the future?

## A WHISPER WORTH ANOTHER FOUR BILLION DOLLARS

Your government over the past 12 months, has cancelled almost all power plants that were in the process of being

built, to serve the growing demand. The Sampur Power Plant, scheduled as of April 2015, to be operational by end 2020, has now been effectively cancelled. How? Someone succeeded in getting President 6 to ask Prime Minister Mody to change the fuel of the Sampur Power Plant from coal to liquefied natural gas (LNG). With no analysis of the implications, with no idea of the economic loss to the country that is already broke, with no calculation on how the electricity demand would be served until the ball game with Sampur comes to an end, with absolutely no idea of the impacts on the electricity system and the cost to customer, the request was submitted to Prime Minister Mody, who, in his wisdom, did not make a commitment but agreed to "consider" it. Of course, India may consider the request as another extended business opportunity; nothing wrong with that.

India has so far very clearly said that a change in fuel, would cause a delay of 7-8 years. The job of providing electricity to Sri Lanka in the meantime is not India's responsibility. So, the present power plant ball game team scored their first goal on May 15, 2016, by buckling the ongoing power plant project at Sampur.

The latest of the ball game is to build three LNG terminals in the country in Colombo, Hambantota and Trincomalee. India, for her 1,300 million people, so far has only 3 LNG terminals! Sri Lanka, for her 20 million, is going to have not one but three terminals. Who says so? The politicians. Do the Economists say so? No! Do engineers say so? No! The end

result? Not a single LNG terminal, but a few diesel power plants. Very soon there will be a press statement about a power plant with "Natural gas" label, but we have no natural gas. So, it will run on diesel, and produce electricity at four times the fuel price at Sampur. That electricity will be sold to you, the electricity customers.

So get ready! The era of sickening blackouts may be back sooner than you think. Higher electricity prices to pay for diesel, in the government's desperate attempts to bridge the gap between supply and demand, will soon push the electricity costs up. Whether increasing costs will be passed on to electricity customers as higher prices is to be seen. As experience of 1999 and 2003 have shown, the government is most likely to say some time in 2018, "Do not worry, citizens, we will pay the fuel bill" as if the "government's money were not people's money. Then there will have to be further tax hikes, higher VAT perhaps, to pay for diesel to bridge the gap created by the absence of the Sampur power plant, and finally, a hike in electricity prices, as well. When the government runs out of money and options, then there will be blackouts.

## Ball Games with Power Plants: Season 4

So, as we have seen in the run-up to the blackouts of 1996 and during 2000-2001 and 2004-5, governments tend to play ball games with power plants that tendency has become manifest again. The

game is the same; interestingly, the players this time are also the same as those in the (i) 1993 power plant ball games Round 1 and the (ii) 2002-2004 power plant ball games Round 3.

Between 1992 and 1994, the power plant ball game team was called the "Power Committee", set up at the Ministry of Finance. It also had an appendix called Secretariat of Infrastructure Development and Investment (SIDI). From 1995 to 2001, the power plant ball game team was called the "Power Committee", set up at the Board of Investment. From 2002-2004, there was a Committee called "Energy Supply Committee". Now in 2016, the power plant ball game team is called "Committee on Economic Affairs", sitting at the Ministry of National Policy and Economic Affairs. This Committee has certainly commenced its ball games with power plants, issues orders to Ministry of Power and Renewable Energy, ridicules engineers and economists, says their calculations are wrong, and keeps throwing the planning reports into the dustbin until the type of power plant it wants, their friends want, comes their way. If it does not, then it will run away by 2020, after trying for five years. The result of these power plant ball games will be the same as before, and the sure loser will be you, the electricity customer.

Make no mistake, blackouts in 2018 are almost certain. Look at your electricity bill today, and keep it. Then look at your electricity bill in 2020. And if you care to keep this article together with your electricity bill, you will also know who was responsible for higher prices and blackouts.

Follow the sequence, now all too familiar to anyone with a memory: (1) Ridicule planners, plans, engineers and economists, (2) announce everything else to produce electricity is cheaper than what is given in the long term plans and the power plant projects in progress, (3) cancel all power plant projects of any significance, (4) fill newspapers with headlines saying that there are so many cheaper proposals at BoI and elsewhere to build power plants of various description, (5) announce bids for diesel power plants, also offer to buy renewables at prices even higher than diesel, (6) blackouts, (7) price increases and (8) temporary diesel power plants become permanent.

The government has currently reached Step 4; Step 5 will come very soon. Steps 6, 7 and 8 will follow!

