

UPFA proceeding with Norochcholai, UKHP projects which UNF failed: Susil

By Ravi Ladduwahetty

Minister of Power and Energy Susil Premajayanth, in an interview with the Daily Mirror, claimed that the UPFA Government was proceeding with the Upper Kotmale and Norochcholai power projects which the United National Front Government failed to kick off. He was responding to the interview Matara District MP and former Deputy Power and Energy Minister Sagala Ratnayaka had with this newspaper on June 14.

The Minister said that the only bone of contention that the Ceylon Worker's Congress and Minister Arumugam Thondaman had about UKHP project was the limitation of it to the St. Clair's waterfall which this Government had agreed to and done with Chinese aid. The UNF could not mastermind a single large scale power project during its two and a half years in office, he charged.

The interview:

Q: Sri Lanka's power sector has reached crisis point. Why has there not been a long-term policy? The UNP has charged that the PA Government of 1994-2001 has not heeded the CEB long term power generation plan outlined in the 1970s.

A: The CEB generation plan which has been prepared for 20 years has not been heeded by various Governments since 1995. Another reason for the present calamity is that there has been only one new power project, Kukul. The CEB losses were from 2000 due to droughts. Then, the Government started purchasing thermal power from private operators. This was in dollar terms. Then it was Rs. 60 to the Dollar but now risen to Rs. 100. The oil barrel which was \$ 20 is now \$ 55. We have to pay extra for emergency power purchases. Today 65% of the power requirement is generated thermally and its hydro power is only 35%. Hydropower costs only Rs. 3.50 while thermal power costs Rs. 10.50. However, the CEB sells at Rs. 7 per unit with the deficit subsidized by the Treasury. That is why the CEB is in debt to the level of Rs. 90 billion.

Q: What is the present generation capacity for hydro, thermal and demand and annual growth rate?

A: As at yesterday (last Thursday) there was 7.8 Gigawatt Hours, 17 Gigawatt Hours of thermal power which means there is around 24.8 Gigawatt Hours, generated on a daily basis. The CEB generates around 785 MW of hydro power and 275 Megawatts of thermal daily. Around 530 MW is purchased from the private sector. There is also 28 Megawatt Hours, which has been taken for Jaffna.

Q: Sri Lanka's power tariffs are higher than even UK and Japan but less only than Pakistan in the SAARC region. So, what is the way forward?

A: The reason for that is that 65% of Sri Lanka's power is generated thermally. This means that there is a huge consumption of diesel. The countries you mentioned have alternative sources of power such as hydro, coal and nuclear power, which makes it cheaper per unit. That is why Norochcholai and Upper Kotmale Hydro power projects are mandatory.

Q: But former Deputy Minister Sagala Ratnayaka alleged that the UKHP project cannot be pursued with Minister Thondaman opposing it. He has alleged that four Governments are running the CEB now! Your comments?

A: I have a simple question for him. What is the power project that the UNF has initiated in the two and a half years that they were in office? They tried to lay the foundation stone for the UKHP project and they sent us



Minister of Power and Energy Susil Premajayanth

the invitations in April 2002. But nothing happened. We have negotiated with all parties and awarded the tenders. Construction work will start soon with Chinese aid. The UNF could do neither UKHP nor Norochcholai. They had not conceived a single new power project during their time. The difference of opinion that Minister Thondaman and the CWC on UKHP had was starting and limiting it to St. Clair's waterfall which we have done.

Q: There are always brakes to the economy due to the higher power tariffs, especially in tourism. There was a proposal in the UNF regime by the Tourism Cluster for power costs to be subsidised for the sector in lieu of the foreign exchange earnings. There was an appeal for the sector to be granted BOI status as well. What happened?

A: The tourism industry should be able to pass on these costs to the tourists as it is doing well.

Q: Of the many forms of power generation, hydropower is one method where a natural national resource is reusable. So, what are the short and long-term strategies you envisage for the growth of this sector?

A: We are proceeding with Upper Kotmale. In addition, there is also the Uma Oya project. There is also 40 Megawatts each coming from Broadlands and Gin Ganga. Then hydro power generation would be optimum. That is why we want to switch to the next generation source of power which is coal. There are also renewable sources of energy such as dendro and biomass, which will generate 100 MW in the next 10 years. Then there is 300 MW which is coming from mini hydros in the next two years. Already 85 MWs have been commissioned.

Q: Dendro power is environmentally sound and generates income. But this would never see the light of day, as it is an open secret that CEB personnel would be unable to make their commissions by fuel imports. Your comments?

A: That is not the reason for the non-implementation of dendro. Sri Lanka's power network is around 1700 MW which means that the systems have to be controlled all the time. But when dendro power is supplied in small quantities from far reaching and diverse stations, such as Matale and Deniyaya then the systems are difficult to manage and balance. So, there is a limit to the extents which the bio mass and mini hydros could be connected to the national grid. There is a technical constraint in this and there is a limit to which it could be absorbed which is around 300 MW or 20% of the requirement. Otherwise, you have to expand the network.

Q: There seems to be heavy dependence on the usage of thermal power. Locations must necessarily

have sea fronts where large quantities of coal have to be unloaded from vessels, which have large cargo carrying capacities. Have you considered the option of inviting the private sector to install small capacity thermal installations primarily to serve industrial estates with the licenses to import their own fuel? (This will ensure the supply of electrical energy independent of outside losses and will also reduce the transmission losses as in the case of the centralised power supply point)

A: There are the private companies such as Holcim which generate their own power. There is also Pelwate and Sevanagala Sugar companies which derive power from the sugar husk. We are promoting that which is good. This will reduce the demand from the national grid which will make us save for other purposes.

Q: So, why don't you give them the licence to generate power and distribute as well?

A: Yes. We purchase any excess power that they generate.

Q: So, don't you think that this is unfair in the light of dendro, a locally developed product which is getting less (Rs. 5.60 per unit) than thermal power, a product which gets as much as Rs. 10 per unit which is imported which involves expenditure of foreign currency?

A: We have given serious thought to this. I appointed an Inter Ministerial sub committee which submitted a report which will be submitted as a cabinet memorandum. We will increase dendro and hydro power to Rs. 8 per unit. The deficit would be borne by the Treasury.

Q: Sri Lanka is crying for power! Australian consortium Barclay Mowlem and Pacific Power International which have some of the largest coal reserves in the world in Queensland along with Japanese conglomerate Sumitomo with consolidated assets over \$ 60 billion submitted a project proposal to the GOSL in 1993 to supply 30% of the national requirement through coal power as cheap as 4 US cents per unit. They spent US\$ 4 million travel and research expenditure. Nothing has happened. Why?

A: I have not seen that proposal. Anybody could submit a proposal to us. We are open for negotiation being a development oriented Government.

Q: Will any person who has the slightest element of native intelligence import diesel to run thermal power stations when there are other cheaper sources of energy such as coal and hydro?

A: That is right. We are not encouraging thermal power. We are encouraging hydro, mini hydro and coal.

Q: The reality behind the CEB Unions protesting the unbundling process advocated by the Asian Development Bank is expectations of more Government interference. So, why can't the Government let the Board manage its business? After all, running a business is not the business of Government?

A: I don't accept the theory. Sri Lanka is not a developed country for the power sector to be run by the private sector. Power has to be controlled by the state sector. See what happened in the gas sector where the Government monopoly was given to the private sector (Shell) for five years and they increased prices arbitrarily. They dictate

prices and we can't stop that. But the idea is to restructure the processes.

Q: So, why can't you open up the power sector so that many private sector players could operate like in petroleum?

A: There are the aspects of power generation, transmission and distribution. We have discussions with the trade unions. They opposed not only privatization or unbundling but also all alternatives we proposed. Then the Prime Minister had to intervene. There is a draft but there are some contentious issues. This would be taken up for discussion among all the stakeholders.

Q: Privatisation has led to cronies using opportunities to exploit land and building and assets of the divested company. It happened at Ceramics and Steel. So, will it happen to the CEB also?

A: The restructuring process was not ending up in privatization

Q: What is the standard line loss?

A: Around 20%.

Q: The former Deputy Minister, while stating that it had zeroed the 357,000 un metered connections has alleged that the Government is giving connections without meters now. What is your position?

A: There was a shortage of meters which we will be rectifying now. But what has the UNF done about the illicit tapping in the North and the East? So, how can they say that they reduced it to zero?

Q: What is the position of the third player in the petroleum sector. The UNP says that it wanted to give the third player to Sinopec of China so (who was also the highest bidder at US\$ 85 million) so that there would have been an equilibrium with Sri Lankan (CPC), Indian (Lanka IOC) and a Chinese. Giving it to Bharat would mean two Indian players will monopolise the industry. What are your thoughts on this?

A: The story about Bharat Petroleum is not true. The UNF kept a third each for the Common User Facility with CPC, LIOC and the final third with the Treasury which was to be given to the third player at a later date. There is a limit in the storage capacity. There were two other Indian bidders - Bharat and Hindustan Petroleum during the UNF regime. Our position is that we are willing to give only 49 of one third. Sinopec refused this. Bharat wanted 49% of the one third and that is why the Treasury negotiated with Bharat.

Q: Don't you think that the ideal situation would be to give it to a Sri Lankan player or to divest it in the Colombo Stock Exchange?

A: That is also my idea. It is to float a public company in which the Government has the majority and to issue shares to the public. However, the Trade Unions believe that the third should be given to the CPC. However, we are not touching it at the moment.