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Govt. drags feet over coal power

by Suresh Perera

The Energy Supply Committee (ESC) has decided to call for fresh 'expressions of interest' for the construction of a 300MW coal power plant on a Build, Own and Operate (BOO) basis, notwithstanding a series of discussions since 1994 on a proposal by the Australian-based giant, Barclay Mowlem Consortium (BMC) to supply electricity at a committed price of US cents 4 per unit levelised over a period of 30 years.

Under an amended media notification published last month, the ESC has even waived the bid security requirement at the stage of pre-qualification, but sought an undertaking that the selected bidder must post the security, and called upon interested parties including those who have already submitted 'expressions of interest' to submit an application for pre-qualification by obtaining a copy of the documentation, once announced.

"At a time Sri Lanka is desperately in need of alternate sources of energy, this kind of foot dragging by bureaucrats is shocking", says Aruna Goonetilleke, BMC's project co-ordinator and representative.

Claiming that BMC submitted a 'solicited proposal' and had been invited for a series of meetings with the ESC since 1994 for the development of a coal-fired project, Goonetilleke charged that bureaucratic bungling had prevented this project of national importance from getting off the ground.

"As the amended press notification indicates, a copy of the documentation can be obtained 'once announced'. With power supplies dwindling and despite the urgency, the ESC is yet to announce the project, which means it's still not ready," he said.

He said the BMC first made its submissions in 1992 to develop a coal power station at any suitable location in Sri Lanka. In 1994 the consortium was invited for discussions regarding its proposals and the following year Cabinet approval was granted for negotiations with BMC to set up a plant in Trincomalee.

"Repeated attempts were made to sabotage the process and prevent the green light being given to BMC, which was the lowest bidder, to go ahead with this vital project," Goonetilleke asserted.

When contacted for comment, Power and Energy Minister Karu Jayasuriya referred the Sunday Island to the Ceylon Electricity Board (CEB). "I have delegated authority to the CEB chairman to speak on these matters," the minister said.

As the chairman could not be reached, General Manager, D. C. Wijeratne said the subject was being handled by the ESC and the CEB was not involved.

Admitting that the country badly needed a coal-fired project, a senior Power and Energy Ministry official said the ESC decided to call for fresh 'expressions of interest' to develop a plant in a "transparent manner". There is a genuine effort being made, but so far it has not been possible to implement the project, he added.

Asked why the BMC's 'solicited proposal' was not considered despite the string of discussions over the years as it was the lowest bidder with US cents 4 per unit, the official said as far as he knew, it was not a 'solicited proposal' and the decision to call for fresh expressions of interest was on a mandate by the ESC.

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"We have the required documentation to prove that ours was a 'solicited proposal'. We were invited for these discussions because we were the lowest bidder. Today, a unit of electricity is being bought by the CEB for Rs. 15/80 from private suppliers in some cases," Goonetilleke said.

Asked why the original US$ 2 million bid security was waived in the amended press notice, the official said the ESC decided to do so and in any case, only developers with experience to set up a 300 MW coal power plant will be considered. The bid security will not be required at this stage.

Goonetilleke said that according to the fresh 'expressions of interest' the "optimum location for the project will be identified and specified by the ESC". Does this mean that the site study, which will cost more than Rs. 400 million, will be handled not by the developer, but by the CEB already over-burdened with a Rs. 15 billion overdraft, he queried.

"Yes, the ESC will have to raise the funds for the site study," the official admitted.

The Norochcholai site study which cost the CEB Rs. 500 million had to be subsequently abandoned.

Asked why the process to set up a coal-fired plant has been dragging on for so long despite the lengthy negotiations with BMC, if it's considered so urgent and necessary, the official said it has to be handled in a 'transparent manner'.

Goonetilleke said due to the escalation of terrorist activities in Trincomalee where the power station was to be constructed in 1996, the government was compelled to suspend it. As there were no alternate sites earmarked at the time, the BMC proposal was kept in abeyance until 2001.

As the BMC identified a suitable site within the Hambantota district and the Southern Region Development Ministry invited the consortium to make their presentation in May last year and the ESC invited it for discussions on the proposal on January 8, 2003, he noted.

"Under these circumstances we were shocked by the calling of fresh 'expressions of interest' by the ESC," he said.

The BMC which consists of Barclay Mowlem Corporation Ltd., of Australia, Sumitomo Corporation of Japan & Pacific Power International of Australia, has developed power stations in Australia, Papua New Guinea, Indonesia, Vietnam and other Asian countries.

Under the BMC proposal, no sovereign guarantee is required from the Sri Lankan government for its development and construction which will be completed within 3 years. The first stage of the project will cost BMC US$ 350 million with an initial capacity of 300MW and add a further 600MW as per the requirement of the CEB.

"There will be no need for Sri Lanka to borrow international funding as the project will be entirely funded by BMC," Goonetilleke said.

He said bureaucrats continued to merrily drag their feet while the people of this country had no choice but to pay enhanced tariffs for thermal power.

"Either there is a move to accommodate a particular company or to sabotage this development so that Sri Lanka will have to continue to pay dearly for diesel-based electricity generation," he alleged.

He said a BMC team from Australia visited Sri Lanka in early September 2001 and made detailed presentations to the Power and Energy Ministry, CEB, CEA and other government authorities pertaining to this proposed project.