

Govt keen on private sector participation in power generation

The Government hopes to create a new legal and regulatory framework and restructure the power sector to facilitate private sector participation in electricity generation, said Irrigation and Power Minister and Defence Deputy Minister Gen. Anuruddha Ratwatte on Saturday.

He was delivering the inaugural address at a seminar on "Fuel options for Power Generation in the next Millennium" organised by the Institute of Engineers to mark its 93rd annual sessions at the Taj Samudra Hotel, Colombo.

The Minister said:

"I took over the Ministry of Power when our Government was formed in 1994. One of the first things I learned was that the electricity demand was always increasing and that the power plant capacity we had was just enough to meet the demand. I was soon to learn that our generating system was heavily dependent on hydropower. This was proven dramatically in 1996 when the country was subjected to serious power cuts. It has been estimated that the loss to the economy was in the region of Rupees six billion.

"To keep up with the rising demand for electricity it is necessary to continually add power plants to the system. I am proud to state that we have increased the thermal capacity by 228 MW. This includes the 115 MW Gas Turbine Power Plant at Kelanitissa and the 40 MW Diesel Power Plant at Sapugaskanda. We have also implemented two power plants 51 MW Asia Power and 22 MW Lakdhanavi with the assistance of the private sector through BOO/BOT schemes.

"Another 40 MW diesel plant is under construction and will be completed before the end of the year. A 150 MW combined cycle power plant at Kelanitissa is scheduled for completion in 2002. The Kukule Hydropower project is now under construction and will add another 70 MW of power to the system in 2003. A 60 MW barge-mounted power plant now being implemented by the private sector will provide power to the grid before June next year. Another 150 MW combined-cycle plant will be established at Kelanitissa by the private sector. It will become operational in 2002. Two other diesel plants each of 20 MW capacity will be completed in 2001. These plants will be at Anuradhapura and Matara.

"Thermal capacity, which was about 230 MW in 1994, has already been increased up to 458 MW. It will be enhanced by a further 100 MW before next June and another 340 MW by 2002. Therefore, with these additions the total capacity by 2003 will be 898 MW. What this means is that the ratio of thermal to hydro which was about 16:84 in 1994 has already been reduced to 35:65 and very soon it will be 45:55. We have reduced the dependence of our system on hydro and therefore the vagaries of rainfall.

"Now what about the future? I have already mentioned that the demand is

increasing. According to CEB's predictions the demand will grow at an average annual rate of about 8 percent. What this means is that we have to double our capacity every ten years. CEB has drawn up plans that indicate the capacity to add to the system each year and also the type of plant - coal, combined-cycle, diesel etc.-required. These...

plans have been developed by the CEB on the basis that they will provide power to the system at the least economic cost to the country. Their plans show that coal-steam plants are the preferred option for power generation in Sri Lanka after 2000. In other words, that coal is the preferred fuel for power generation.

"In connection with these plans there have been numerous suggestions and proposals in the press that better fuel options are available. These options include diesel and other liquid fossil fuels, liquefied natural gas or LNG, and renewables such as solar and wind.

"One of the major arguments brought forward in support of these suggestions is that they are more environment-friendly than the CEB plans. The only practical and legal way to determine whether a project is acceptable from an environment point of view is to ensure that it complies with the National Environmental Act. How this is through an Environmental Impact Assessment (EIA) study and obtaining an environmental clearance licence from the CEA or the relevant agency. May I assure that I will ensure that all projects implemented by my Ministry have environmental clearance. In fact, it is illegal to implement a project that does not have environmental clearance. To my mind, the point to argue is not that a particular fuel is more environmentally friendly than another, but whether the particular project can or cannot meet the environmental standards set by the CEA for the country.

"I consider it one of my prime responsibilities to ensure the security of power supplies. I have already mentioned the adverse effects created by the disruption of power supplies in 1996. I believe that diversity of fuels is a necessary condition to ensure security of supplies. Consequences of depending on a single fuel - in this case hydro - was amply shown in 1996. That is why we took immediate steps to develop thermal generation. A single fuel for thermal generation too should be avoided.

"By 2004 we will be having over 900 MW of thermal plants all running on some form of liquid fossil fuels - diesel, naphtha, residual oil, heavy oil etc. - in our generating system. The implication is that our thermal generation is all based on oil. All of you are, I am sure, aware of the sudden and unpredictable fluctuations of oil prices in world markets. These fluctuations, ruined the power sectors, really the economies, in many countries in 1973 and 1976. It is therefore imperative that we diversify into fuels other than oil as fast as possible.

"It is not only my responsibility to ensure the security of supplies, but it is also my responsibility to ensure affordable prices for electricity. It is in this connection that I must say a few words on renewables - wind and solar - sources of power. We have been promoting the use of solar and wind power since we came into office. Under the Energy Services Delivery project we have taken action to develop through the private sector 10,000 solar home systems and 30 MW of mini and micro-hydro schemes. Through this project funds will be made available to the private sector at concessionary interest rates for the implementation of renewable power projects.

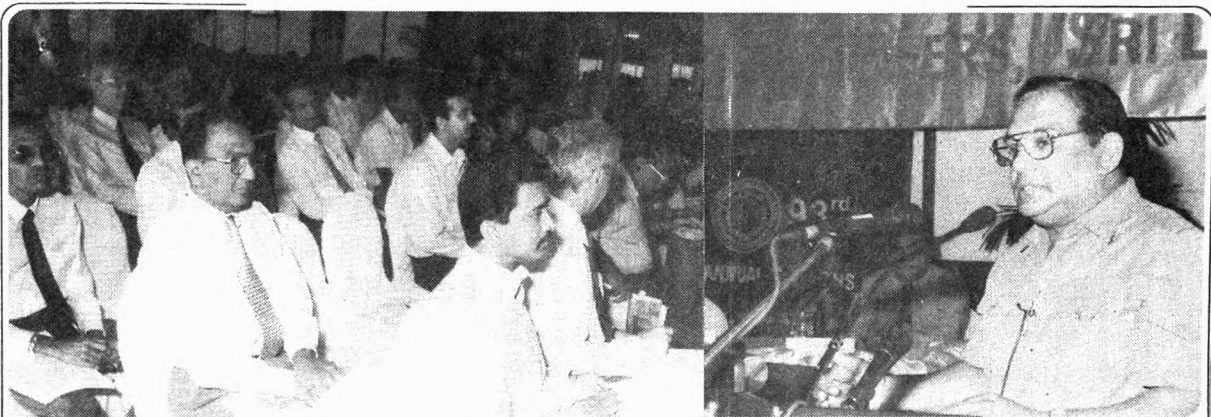
Unfortunately the project is not moving as fast as we like. The reason is simple; the costs are too high. Under this same project we have constructed a 3 MW wind farm at Hambantota. The CEB has informed me that a unit from this plant costs more than Rs. 5.50 to generate. The CEB sells a unit of electricity to the consumer at around Rs. 4.50. The conclusion is clear and we welcome any proposals for reducing the generation costs of renewables.

"The theme of today's seminar is 'Fuel options for power generation'. Options for fuel cannot be discussed in isolation; it should be discussed within the overall policy framework for the power sector. The Government policy for the power sector is contained in the document entitled 'Power Sector Policy Directions'. It says that the Power Sector should ensure a continuous and reliable supply of electricity, that the power prices should be affordable, and should be competitive with those of our neighbours in South Asia. It also states that future thermal power projects will be procured from the private sector through BOO/BOT schemes. My remarks earlier are based on these policy objectives. I like to say a few more words on private sector participation.

"The Government has already procured 73 MW of power from the private sector. Another 250 MW are under implementation at present.

To facilitate private sector participation the Government intends to create a new legal and regulatory framework and restructure the power sector. These changes in the governance and the structure of the power sector will also have an effect on fuel choice. To elaborate on this point, the privatisation of the power sector in the UK resulted in what is called the dash for gas - development of combined cycle power plants running on cheap North Sea natural gas. In Sri Lanka, I have noticed that the private sector has a preference for diesel plants.

To conclude, you are aware that our Government is committed to openness and transparency. It is imperative that we implement the planned power plants as scheduled. We do not intend to let the country fall into darkness in the new millennium, and I believe you wouldn't either.



The 93rd annual session of the Institute of Engineers, Sri Lanka was held at Taj Samudra Hotel, Colombo, recently. The theme at the seminar was "Fuel options for power generation in the next millennium". Here Irrigation and Power Minister and Deputy Defence Minister General Anuruddha Ratwatte delivers the inaugural address at the seminar. Irrigation and Power Ministry Secretary Jaliya Medagama, Additional Secretary Ananda Gunasekera, Professor K. K. Y. W. Perera, past president of the Institute of Engineers Sri Lanka D. G. D. C. Wijeratne, chairman of the Electrical Engineers sector of the IESL Ranjit Gunawardene and Chairman-elect of IESL Mrs. Lanka Hathurusinghe were also present.