News_COP_2001-46.pdf

14th June 2001 Island

Norochcholai Delay and Your Electricity Bill in 2004

On 1st March 2001, your electricity bills rose by 25%. Newspapers now say that the bills will rise again. For a moment, did you think why only your bills should go up repeatedly, when electricity prices in other countries remain relatively stable ? More increases are on the way, for which the reasons should be known to all electricity customers. You will be lucky if the electricity bills of your home, your factory, your shop, your temple, your church rise only by 100% by year 2004, and not more.

Whatever the media says about how the electricity sector is managed or mismanaged, the principal reason for the financial crisis in the sector is the "use of the wrong fuels for power generation". It is certainly not the low rainfall, not the unpaid bills of Government Departments, that are causing your bills to increase.

While the entire world uses cheaper fuels for power generation, we in Sri Lanka use and continue to use the most expensive fuel: auto diesel. Who is preventing us from using cheaper fuels ?

Mawella Delay and Your Electricity Bill Today

In 1992, Ceylon Electricity Board (CEB) requested Government clearance to conduct a feasibility study to build a coal-fired power plant in Mawella in the Southern Province. With a natural bay, Mawella was an attractive site to unload coal. Even before a full-scale feasibility study was conducted, a handful of misguided individuals succeeded in convincing the President that a power plant in Mawella will turn the South into a desert. In 1992, the President suspended the Mawella coal power project. The South lost a US$ 500 million investment, and the country lost a lot more.

If you cannot afford your electricity bill today, if your supply was recently cut-off because you could not afford electricity, the suspension of Mawella in 1992 is the principal reason. CEB planned to generate 1894 million units of electricity from Mawella this year. Owing to Mawella not being available, CEB spends this year about Rs 9000 million extra on other fuels, ranging from auto diesel to residual oil. A unit of electricity from Mawella was to have a fuel cost of Rs 1.60. Now that electricity is generated using various oils, the production costs range from Rs 3.50 to 10.50 per until of electricity.

And you pay and pay. About Rs 1.56 for each unit of electricity on you bill is precisely because Mawella was not allowed to be built for operation by 1999. If you use 150 units in your house, your bill today is Rs 772.

If the Mawella power plant was allowed to be built, your bill would have been Rs 234 lower.

Say your factory uses 50,000 units of electricity a month, and your maximum demand is 200 kVA. Your bill today is Rs 386,086. If Mawella was allowed to be built from 1992, your bill today would have been Rs 78,125 lower.

The country uses US$ 100 million worth of extra fuel to run oil-burning thermal power plants this year, precisely because Mawella Coal Power Project was not allowed to proceed. If nobody is concerned about this extra expense, the Treasury should be the most worried about spending US$100 extra for oil to run power plants.

Yet the Treasury is silent on the extra US$ 100 million we spend this year for fuel, precisely because Mawella Power Plant was not allowed to be built. And keep quiet about Norochcholai now, and pay not less than US$200 million extra for fuel in 2006.

How Norochcholai Delay will affect Your Electricity Bills in 2004

After allowing CEB to proceed with feasibility studies and designs for the coal-fired power plant at Norochcholai in Puttalam district, the Government suspended the project in year 2000 owing to protests by an individual.

All designs, environmental clearances and finances have been ready since 1999. The project now is two years and two months behind schedule, and this is how this delay will cause your electricity bills to rise.

The Norochcholai power plant was to be operational by year 2004, if the Government was not prevented from allowing CEB to proceed with the project. Accordingly, if action is taken to build some cheaper oil plants, CEB will limit the financial damage to Rs 9163 million in 2004. However, it is most likely that CEB will not be allowed to build any new power plants until 2004, and all the 2264 million units of electricity originally planned to be provided by Norochcholai will have to be provided by mobile power plants burning auto diesel.

Norochcholai has an operating cost of Rs 1.60, against Rs 10.50 for power plants run on auto diesel. Therefore, in practical terms, CEB will have to spend (10.50-1.60) x 2264 = 20,150 million Rs to overcome the damage done by the protestor. And you electricity customers will pay for it.

A household using 150 units of electricity a month, now pays Rs 772, and he will have to pay at least Rs 311 extra in 2004, precisely because Norochcholai was not allowed to proceed in 1999. If both Mawella (1992) and Norochcholai (1999) were allowed to proceed, your electricity bill in 2004 would have been 772-234 =538 against Rs 1085. Yes a full 100% more, precisely because coal power projects were not allowed to proceed.

So, decision-makers and the protestors who did not allow coal power projects to proceed, will cause your electricity bills to double by 2004. There is absolutely no way to stop these price increases, now that the Government has considered a protestor to be more important than the entire economy of the country.

Your Electricity Bill in 2006

Your electricity bills doubling by 2004 cannot be avoided now. However, there is some hope of electricity prices remaining at double the present levels in the longer term, if Norochcholai Coal Power Project is allowed to proceed now. If approved today, the power plant, with some quick work by CEB, can be built to operate from 2006.

If Norochcholai is not approved immediately, your electricity bills in 2006 will increase further beyond 100%.

Mawella Delay and Your Bills in 2010

The total time required to study, obtain environmental approval, finance, tender, build and commission a coal power plant in a new site is a minimum of seven years. CEB plans clearly indicate the need for a second coal power plant by 2010, and from all points of view a Southern Site is most appropriate for this second plant. The previously suspended site at Mawella or a new site should be immediately investigated and studied. We leave it to your imagination what your electricity bills would be if we do not commission a second coal power plant year 2010.

Keep Quiet Now, Pay Later

The choice is yours. Your civic organisations, your Chambers of Commerce, your Chambers of Industries, your Exporters Associations, your professional institutions. You may opt to keep quiet: you were silent when Mawella Project was suspended in 1992 and you now pay the price for it.

You kept quiet when Norochcholai was facing difficulties in 1999 and be prepared to pay the price for it by way of double the electricity bills by 2004. Continue to keep quiet about Norochcholai, let the protestor have his way, and see your electricity bills reach sky high by 2006. (Note: Rupee depreciation and other cost escalations will be extra.)

Dr Tilak Siyambalapitiya, Negombo
110 Kattuwa Negombo Sri Lanka,
Phone +94-31-38167 (home), +94-1[illegible]
301820(office) Fax +94-74-722893
(office) office email:
rmapl@sltnet.lk