Get set for a rough ride on power costs

Coal, LNG or renewables? Authorities toss and turn

By Sandun Jayawardana

Sri Lanka's power sector is set to endure an extremely volatile period in the next several years, with electricity tariffs likely to rise significantly as the country moves to head off a power crisis expected in 2018/19, the Ceylon Electricity Board (CEB) has warned.

According to CEB Chairman Anura Wijepala, the Board hopes to expedite construction on the 300 megawatt (MW) diesel powered combined cycle power plant at Kerawalapitiya as a first step towards building a network of plants capable of meeting the rising demand in electricity. The plant will initially run on diesel and would later be converted to Liquefied Natural Gas (LNG).

Given the higher cost of diesel, Mr. Wijepala acknowledged that the CEB's generation costs would rise significantly. This in turn would mean higher electricity tariffs unless the Treasury chose to absorb the CEB's losses. Even if that happens, consumers would stand to be affected as the government would have to cut its losses in some other way.

He explained the CEB had hoped to have a coal power plant in place at Sampur by 2017. Repeated delays eventually saw it pushed back to 2021 before ultimately being scrapped altogether. Thus, the Board had to look for other options.

While LNG would be far cheaper than oil, Mr. Wijepala stressed the CEB would not be able to convert such diesel plants to LNG for several years. Much would depend on how soon the government would be able to construct an LNG terminal, designed for the storage of imported LNG.

The CEB was currently in discussions with the Ministry of Petroleum Industries and other government stakeholders to see how they can operate the terminal as a joint venture, he revealed, adding, "However, it would take at least five years for us to have an LNG terminal".

According to the Least Cost Long Term Generation Expansion Plan (LCLTGEP) 2015-2034 submitted by the CEB to the Public Utilities Commission of Sri Lanka (PUCSL), the country's electricity sector regulator, Sri Lanka's electricity demand is set to grow annually at a rate of 6.9 per cent from 2017 to 2020.

This is a dramatic increase from the growth rate of 4.1 and 4.3 per cent that the sector experienced in 2015 and 2016. Peak hour electricity demand will also grow from 2483 MW in 2016 to 3131MW by 2020.

While approving the plan, the PUCSL had emphasised to the CEB that the plants listed for the 2017-2020 period should immediately be constructed and operated to prevent possible power shortages during 2018 and beyond.

Eight power plants are scheduled to be completed within this period. The plants, a mix of thermal power, natural gas, gas turbines and renewable energy, are set to add about 1,230 MW to the national grid during the next four years.

The key to averting the crisis was to get the plants operational at the correct time, PUCSL Director-General Damitha Kumarasinghe told The Sunday Times. He acknowledged that the PUCSL has concerns over how efficiently the CEB would be able to meet the challenge.

The PUCSL this week sent a letter directing the CEB to submit the implementation plans, including milestones for each power plant identified in the schedule for the 2017-2020 period. As per PUCSL instructions, the implementation plans should be submitted to the commission on or before October 28.

Earlier, the PUCSL chose not to approve the two coal power plants in Sampur scheduled to be completed in 2021 and 2022 due to the government's policy decision not to build coal power plants at the location.

The government's decision on Sampur came in for criticism this week by the CEB Engineers' Union (CEBEU).

CEBEU President Athula Wanniarachchi argued that the primary goal of the government should be to supply uninterrupted electricity to the public at a lower cost. He insisted that this was currently possible mainly due to the Lakvijaya coal power plant in Norochcholai.

Mr. Wanniarachchi cited the average cost of a unit of electricity, which has now come down to Rs.15 from the Rs.20 it was two years ago. The average electricity selling price has also come down from Rs.18.50 in 2014 to Rs.15.95 in 2015.

If a coal power plant is commissioned by 2021, it would have to be retained for about 30 years. This is impractical considering most countries would have retired their coal power plants and shifted to renewable energy sources by then, noted Asoka Abeygunawardena, Chairman of the Strategic Enterprise Management Agency, attached to the Presidential Secretariat.

"Instead of coal, the government has given a clear direction that we need to explore all other possibilities, mainly concentrating on indigenous resources," Mr. Abeygunawardena reiterated, accusing the CEBEU of representing the "coal lobby" and trying to subvert government policy.

The need of the hour was to invest more on renewable energy sources and also to engage in "demand-side management," which aims to encourage consumers to use less energy during peak hours, he emphasised.

If power shortages do arise in 2018/2019, the responsibility should mainly lie with the CEB as it would have been precipitated due to lack of commitment and inefficiency on its part, Mr. Abeygunawardenastressed.

While the debate over coal power continues, the main danger for consumers in the event of a power crisis was from private power producers eager to exploit the situation, observed Bandula Chandrasekara, an energy expert and consumer rights advocate.

If the government was forced to turn to them on account of there not being enough state-run power plants, the operators would likely sell power at exorbitant prices, as was witnessed during past such crises, he pointed out.