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AL gets better power sector to build on

1,164 MW new power generated during caretaker govt

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When Fakhruddin Ahmed-led caretaker government took over, the power sector was in a deep mess as the official demand hovered around 4,000 MW (unofficially around 5,000 MW) against Power Development Board's supply of only 2,693 MW on average in February 2007.

The situation only reflects that the previous BNP-led four-party alliance government did nothing for the sector.

In the last two years, the official demand increased to 4,400 MW (unofficial 5,200 MW to 5,500 MW). But when the caretaker administration hands over power, the scenario has changed a lot as the average power supply in December was 3,646 MW.

This was possible because the caretaker government implemented some small power schemes and a couple of public sector power projects. Besides, it also undertook a major policy intervention where policymakers and the power ministry encouraged different power-related entities including PDB, Rural Electrification Board (REB) or the Power Grid Company of Bangladesh to make their own decisions.

Consequently, the new Awami League government is expected to have a comparatively better year for the power sector to start with. There will be load shedding, but that would not be as horrible as the level the four-party left the country with.

The PDB can now generate around 3,800 MW power and is able to generate another 600 MW if Petrobangla increases gas supply to different plants in Ashuganj-Ghorashal and Chittagong. Moreover, 742 MW is likely to be added to the national grid as some projects are under implementation by June.

With such development, the AL government will have some breathing space to implement some large power projects, namely the Bibiyana 450 MW, Sirajganj 450 MW and Meghnaghat-2 & 3 of 450 MW projects.

"However, if the Awami League government fails to pursue these power projects properly, Bangladesh will face tremendous power crisis from 2011," says a top official at the ministry.

The caretaker government has already finished different power projects totalling 422 MW capacity. By June, 16 small and medium and one large-sized power plants would add another 742 MW power to the national grid.

The already completed plants include small power projects of 92 MW, a 20 MW 15-year rental power project, 140 MW capacity of three-year rental power project, and two public sector plants totalling 170 MW power (Fenchuganj 100 MW and RPCL 70 MW).

Of these, the four-party government initiated the two public sector projects.

In addition, the caretaker government also increased 500 MW power by rehabilitating and maintaining old plants. But the benefit of this has been offset by gas supply shortfall. As most power plants run on gas, the crisis is costing generation of at least 600 MW power now.

The good news for the new government is that there are some power projects in the pipeline. In this month three small and three rental power projects totalling 168 MW capacity would go online.

Next month, another 131 MW would be added by three small plants and two rental plants. Besides, two small, two rental plants and the Siddhirganj 105 MW peaking power plant unit-1 would add another 287 MW in March. In May the unit 2 of the Siddhirganj peaking plant would add another 105 MW and in June a 50 MW Sikalbaha plant would be added.

"We have found out that outside interference had severely destroyed working spirit in PDB and other power related bodies," says a top power ministry source.

Since 2001, PDB or the power generating bodies could not make technical decisions as the ministry or even higher authorities were imposing those.

"Officials were not being naturally promoted to higher ranks. All the power related organisations were being headed by the power secretary himself. This is unhealthy. You cannot expect performance from PDB or REB when others are making their decisions," says the source.

"No matter how weak an organisation is, outsiders should not make their decision. Under the caretaker government, we stopped that practice. The power secretary no longer heads all the power related organisations. The power units no longer wait for the power ministry instructions. They make their own decisions and inform the ministry," he adds.

The Bangladesh Energy Regulatory Commission (BERC), which was created in 2003 under donor pressure but kept inactive, has also been empowered by the caretaker government.

Instead of the power ministry, BERC now decides on power tariff and issuance of power generation licences.

In addition, the caretaker government has approved two vital policies -- Renewable Energy Policy of Bangladesh and Policy Guidelines for Enhancement of Private Participation in the Power Sector, 2008.

Both of these would stimulate wider participation of the private sector.

Meanwhile, the global oil and steel prices are rapidly falling. In addition, power project procurement and engineering construction cost is also declining. For instance, in India Bhel is constructing a 740 MW power project at a cost of \$550 million and in the US, Shaw is building a 500 MW plant for \$400 million.

In contrast, the recently rejected Bibiyana power project proposal by the Korean-Malaysian Powertek consortium would cost \$465 million for 450 MW.

Chief of Summit Group Aziz Khan says: "Today it is more possible for Bangladesh to improve its infrastructure including electricity as the cost of equipment, availability of equipment and the cost of capital, i.e. interest rates in the world market are very low."

He adds: "As for financing, Bangladesh has been financed by the World Bank and the Asian Development Bank, they are now being pursued by their member countries to give loans to create demand.

"Also the export credit agencies of the developed countries like the United States Export Import Bank have been advised by their governments to provide credit to the tune of \$200 billion within two years.

"I also expect credit from manufacturers to credit worthy projects as they have to sell their produce which has doubled in last three years."