

D15 of 01.04.15

UNREVISED

ORAL ANSWER TO QUESTION

CEB - GENERATORS - TENDER

The Leader of the Opposition (Mr P. Bérenger) (*by Private Notice*) asked the Vice-Prime Minister, Minister of Energy and Public Utilities whether, in regard to electricity, he will, for the benefit of the House, obtain information -

(a) in respect of the procurement of four 15 MW generators, from the -

(i) Central Procurement Board, why it cancelled the tender therefor;

(ii) Independent Review Panel, where matters stand regarding the appeal lodged in relation thereto;

(b) from the Central Electricity Board -

(i) where matters stand regarding the case lodged before the Supreme Court in relation to the tender for the procurement of 15 MW generators;

(ii) if fresh tenders will be launched for the procurement of 15 MW generators;

(iii) if the World Bank report on the capacity expansion plan based on updated economic conditions will be made public, and

(iv) the measures being taken to prevent rolling black-outs as from end 2015.

The Vice-Prime Minister, Minister of Energy and Public Utilities (Mr I. Collendavello): Madam Speaker, in August 2011, the CEB started the process for the redevelopment of the St. Louis power station. In August 2012, CEB made an application for an EIA licence which was granted in August 2013. In September 2013, CEB decided to procure 4 diesel generators of 15 MW each. Mott Mac Donald was reappointed in connection with the preparation of the tender documents. I use the term 'reappointment' because Mott Mac Donald had been the original Consultant on that matter. The document was floated in February 2014. By 27 March 2014, ten expressions of interest were received. On 15 April 2014, the Central Procurement Board informed CEB that five potential bidders had been selected. This was approved by the African Development Bank which had agreed to finance

the project. On 24 June 2014, the Central Electricity Board (CEB) invited bids from five prequalified bidders approved by the Central Procurement Board (CPB) and the African Development Bank, with expected commissioning of the engines by early 2016.

- By the closing date of 25 September 2014, only one bidder, Burmeister and Wain Scandinavian Contractor (BWSC), submitted its bid. On 14 October 2014, the loan agreement was signed for an amount of Rs3.5 billion.
- With regard to part (a)(i) of the question, on 20 November 2014, the Central Procurement Board informed CEB that the only bid received, that is, from BWSC, was substantially non responsive and that it was not in a position to approve any award of the contract.
- On 25 November 2014, in line with section 39 (1)(a) of the Public Procurement Act, the CEB informed BWSC of the cancellation of the procurement exercise.
- On 01 December 2014, BWSC challenged the decision of the CEB and on 04 December 2014, the CEB informed the bidder that the

challenge could not be entertained as the exercise had already been cancelled.

As regards part (a)(ii) of the question, I am informed that on 15 December 2014, BWSC filed a review with the Independent Review Panel (IRP). The IRP held five hearings on this case and the parties filed their submissions on 13 March 2015. The determination of the IRP has not yet been received.

With regard to part (b)(i) of the question, I am informed by the CEB that it is not aware of any matter before the Supreme Court regarding that project, neither is my Ministry aware of any case before the Supreme Court.

With reference to part (b)(ii), the CEB has updated its supply-demand balance taking into account the short term expected demand of electricity. The CEB has already approved the extension of the Power Purchase Agreement for the 22MW plant with Consolidated Energy Ltd (Beau Champ) from July 2015 up to 2018 at the purchase price of Rs2.95 per Kwh for 160 Gwh annually.

The African Development Bank also reviewed the bid received from BWSC as well as the Bid Evaluation Report from CPB and has recommended that fresh bids be invited with revised specifications.

According to the CEB -

- (i) with this extension, the electricity demand can be met until mid 2017 with the existing plants of the CEB and the Independent Power Producers and a well planned maintenance programme.
- (ii) accordingly CEB is renewing the bid document for a 60 MW at St Louis Power Station as recommended by African Development Bank. I must add that I had considered acting under Section 21 of the Public Procurement Act, i.e Emergency Procurement but, on further consideration, and for the sake of transparency, I have now discarded this possibility.

With the revised bid technical specifications, it is expected that more competitive bidding will take place. This meets the concurrence of the African Development Bank. It is expected that the bids will be floated by June 2015 with the approval of CPB and African Development Bank. The plant is expected to be operational in the second quarter of 2017.

As regard part (b) (iii), in January 2015, the World Bank submitted a draft report on “assessment of electricity demand and generation expansion plan over the period 2015 - I am sorry, it must be a mistake. I will correct that later. I will supplement it.

The draft report confirms that to meet the short-term generation gap, an extension of the CEL contract - yes, I am sorry; it is 2015 to 2022 - is required together with the commissioning of St Louis Power Station in 2017. The report also highlighted that the CEB should optimise on maintenance schedules of its existing power plants.

In my reply to the last PNQ on this matter, I informed the House that the final report of the World Bank Consultant was expected by end of March. However, the Consultant has had to take into consideration the Government decision regarding the CT Power project and had to review its recommendation for the period 2018-2022.

We are pressing the World Bank to submit the final report within the shortest delay.

On receipt of the report, I will consult Government as to whether the report can be made public.

With regard to part (b) (iv), the CEB has updated its supply-demand balance and confirms to me that it will manage the supply without deficit and optimise on its maintenance schedules, voltage management of existing power plants.

As regards part (b)(iv), CEB is of the view that all measures are being taken to avoid any black out.

Mr Bérenger: I had asked whether we can have the reasons why the Central Procurement Board threw out the tender and all I have heard is that the Central Procurement Board has said that the only bid received was substantially non-responsive. Now there is a Government that wants to have good governance all over the place; my information was that there was a change in the specifications after the tender had come out, tailor-made - not everybody, but some people in the Central Electricity Board - to suit the purposes of those people and *favoriser* a given contractor. Has there been a Police enquiry on this matter?

Mr Collendavelloo: No, there has been no police enquiry on this matter. There has been no complaint of any fraud on this matter. My utmost preoccupation is to get on with the job, that is, to try and ensure the procurement of these generators as quickly as possible. Now, with regard to the decision of the CPB, they found that it was substantially non-responsive. CEB was not necessarily of this view. The matter appears to be a little bit more complex than this. There seems that, at the level of the CPB, there were, in fact, two conflicting reports with regard to what should be done. But whatever it is, the best course of action is to ask for fresh tender including the reason which the hon. Leader of Opposition has mentioned, that is, it could have been tailor-made to suit a particular tenderer; we don't want to get bogged down in that sort of situation.

Mr Bérenger: But still, CEB has led us to trouble in the past and now I hear the new Minister being very optimistic on the basis of what the CEB says. Can I ask, therefore, in a tight situation like that, where we are given all sorts of guarantees by the CEB, what changes are going to take place at the CEB? Who is chairing the Board of the CEB now? Who is the General Manager and will he be replaced?

Mr Collendavelloo: As at to date, the Senior Chief Executive of the Ministry is chairing the Board and the General Manager of the CEB has been asked to step down and to be the officer-in-charge. I intend to make recommendations for a new Chairman and a new

General Manager. A communiqué will be issued as soon as this is finalised which could be done in the next two or three days.

Mr Bérenger: As far as the Independent Review Panel is concerned, I heard the hon. Vice-Prime Minister say: “the determination of the Independent Review Panel has not yet been received”. Well, am I right in saying that, in the meantime, the Independent Review Panel has been replaced by a new lot and that, therefore, they will have to start all over again and can we have an indication how long this will take?

Mr Collendavelloo: What I have said in my reply is the official stand, that is, the findings have not been received and that is strictly speaking accurate. However, what I am informed is that the IRP had almost finished the recommendations, but a new panel was brought in and technically they should, I suppose, start again. But we don’t need to do this because we are cancelling the whole process, calling for new tenders. The exercise has been started. Let us be optimistic about it!

Mr Bérenger: Although we have got an official reply first corrected by the hon. Vice-Minister straightaway five minutes later! So, in fact, as hon. Vice-Prime Minister is saying, the Independent Review Panel is off the mark, out of the picture for the moment. If I can move on, I am sure the hon. Vice-Prime Minister will agree with me, we have two problems; one, urgent four times 15MW power plants that must come into operation as soon as possible and then in longer term as from 2017-18, we have the need for a 100/200 MW based load supply. I have heard that, unfortunately, the report that was supposed to be ready by the end of March is being finalised by the World Bank. But, in the meantime, in the Public Sector Investment Programme, amongst the projects in the pipeline is listed, I quote –

“Power generation projects including fossil-based power plants of total capacity over 100 MW”.

Can I know which is which pending the World Bank report because the hon. Vice Prime Minister has been very optimistic concerning renewal energy. Very optimistic! Now, after we have done away with the CT power, there is reference in the public sector investment programme of, as I said, the 100 MW fossil based power plants. So, can we know which is which?

Mr Collendavelloo: There are two issues. First of all, there is CT Power. CT Power is one thing. We took the decision that we took on the basis of the financial capabilities of CT

Power. The second issue is coal. We never said that we are going to dump all the coal power plants in Mauritius and just use wind and sun. We will need to use coal for some time and there are clean coal power plants which are possible. The World Bank is going to assist us and we are going to expect the report any time. I speak in presence of an ex-Minister of Energy who knows the situation with regard to these fossil plants. We are not going to do away with coal. Of course, we are going to put added emphasis on renewable energies and we are trying to start the projects as soon as possible.

Mr Bérenger: Coming to the last part of my question which is the disturbing part of my Private Notice Question, I believe the risk is very real that we have not a general blackout, but rolling blackouts, cuts here and there all over the place. As from the end of this year, the CEB is being, according to me, over optimistic. I know that the hon. Minister himself - the new Minister - in *'Le Mauricien'* of 22 December, said –

“Le risque de black-out existe”.

And now that this 4 x 15, the former Government was relying all out on this 4 x 15, therefore, 60 MW. Two of those four engines were supposed to come into operation in November 2015. 2017 is mentioned now and we say that it will be probably later on. Can I ask the hon. Vice-Prime Minister whether they have the figures for the peak demands in the country since the beginning of the year – he is the Minister since the last general elections - and at that point in time what was the effective capacity of the CEB, that is, keeping out the possible breakdown, the classical way of working effective capacity, that is, taking out the biggest plan, taking out what is required to be taken out for maintenance purposes and providing for a 10% spin-off safety margin? Does he have the figure, therefore, for the peak since the beginning of the year and what was the CEB effective capacity at that point in time?

Mr Collendavello: First of all, I have the figures planned for the year 2015 and then I shall come to what has happened during the year. Globally, CEB has a capacity of 395 MW. Then, the IPPs have 197 MW which makes us a total of 592 MW. We have got to discount breakdowns that gave us 37, the schedule maintenance which is 30 so that the effective capacity is 525 with a peak power forecast February 2015 - that is what we are dealing now - 463. Now, when we add the 10% spinning reserve that brings us to 509 with an excessive capacity margin in terms of percentage of 3% - those are the figures given to me by CEB - it would appear that the technical units of my Ministry are not in strong disagreement with these figures which have to be worked out. I am given a note to say that we have, in fact,

witnessed a slight reduction in demand and that CEB intends to optimise maintenance. Of course, with the new team that comes in, we shall try and review that situation.

Mr Bérenger: Good luck! Can I point out to the hon. Vice-Prime Minister that even on figures which have just been quoted CEB is fiddling? We used to provide 60 MW for maintenance, now they have *grignoté*, in your figures it is 40 MW.

(Interruptions)

30! Even less! It used to be 60 MW. They have *grignoté*! So, can I ask the hon. Vice-Prime Minister to be very careful? In fact, according to my figures, peak demand, effective capacity, when you deduct all that, we were 10 MW close to danger point. Will he agree with me and that, therefore, there is no room to be over optimistic and as the CEB has said: there is no problem? Will he agree with me that *le risque est très réel* ?

Mr Collendavelloo: I understand that the 30 MW issue is World Bank forecast.

(Interruptions)

I agree that we should not be overtly optimistic, but there is no room for doomsday catastrophic images in our mind. I am extremely concerned about this situation and although I am not overtly optimistic, this is a file that has been on my mind ever since I took office, and we hope that with the new tender process, we will be able to look at it optimistically.

Mr Bérenger: All for optimism was the fact that the previous Government expected Médine to keep on providing 11 MW during crop time for the most difficult period of the year. In the reply to my former PNQ and today I have heard no reference to that, although the 60 MW has been postponed, is that now no longer on?

Mr Collendavelloo: Not at all! You will recall that I did give the figure to the House. I did give for 2015 the figure of 197 subtotal IPP. Of course, I can give the precise figures. That includes Médine: 11 MW, consolidated that is Beau Champ for 22 MW, then we have FUEL: 20, Belle Vue: 46, CTDS: 30, the other one 65 and we go on like that.

(Interruptions)

But Médine is mentioned in my paper, 11 MW as from July 2015. I skipped that in order not to swamp the House with figures.

Mr Bérenger: Can I ask the hon. Vice-Prime Minister whether he is aware that, in fact, we are *sur la corde raide* already? Already 35 years old engines that are a danger to the

employees, to the workers, that are a nuisance to the people around the power stations concerned, to the point that environment has asked that these engines be not operated after a given hour at night, it is going beyond that. So, now we are postponing, decommissioning of these 35 years old engines, because we are *sur la corde raide*, and at the same time, we are putting people's lives and health in danger and, at the same time, we are using gas turbines in an exaggerated manner, because they are very, very expensive. So, when a statement comes can we have some clarification on that aspect of the problem also?

Mr Collendavelloo: I think I better say that I will come back with a statement on that issue. I am given a paper which states that the old engines are being operated at reduced capacity, but I would like to have the opportunity of well looking into it and come with a statement on that matter.

Mr Mahomed: Madam Speaker, is the rope going to be even tighter with the forthcoming announced smart cities, some of which appeared to be shovel ready going by press reviews? This is on the one hand. The more specific question will be: does the latest supply and demand analysis of the balance of the CEB cater for these smart cities? What are the energy efficiency measures for the country being envisaged at the level of the Ministry also?

Mr Collendavelloo: We have three questions. Let me see if I have got them right. First of all, tight rope. I am not going to put the country on a tight rope. I hate tight rope walking. I walk neither in the dark nor on a tight rope, and the House can be assured that this is my immediate preoccupation. We have the situation that we have, and this is a matter of fact of which there is nothing much we can do except to take remedial measures.

With regard to the smart cities, we hope - and that is my programme - that emphasis will be put on sun top photovoltaic. If these are off-grid photovoltaic units, it means that these cells will not be a burden on the grid of the CEB. Of course, that is more complex than this, because we have to upgrade the grid as the grid is a dumb grid and is not a smart grid. All this has got to be done. We will be embarking on this matter. Can I say that - I think I have already said that in the House - I benefit from the very valuable assistance of Prof. de Rosnay who has agreed to come back to help us. He is an extremely good intellectual. We also benefit from the assistance of certain international experts, and we hope to be able to put something together. I hope I have not missed any part of the hon. Member's question.

Madam Speaker: Hon. Bhagwan!

Mr Bhagwan: Thank you, Madam Speaker. The Minister has just stated the situation at Saint Louis Power Station, as also pointed out by the hon. Leader of the Opposition. We all know that the 20 MW engines at Saint Louis, *Pielstick engines*, are running illegally in terms of age. This is a fact. But can the Minister enquire about the situation at Fort George? In the recent past, there have been cracks on the engines at Fort George; the Sulzer engines. Can the hon. Minister at least inform the country and the population, while preparing the overall situation of these engines, the situation concerning the power plants at Fort George in order to reassure the population?

Mr Collendavelloo: I am sure that the hon. Member will have no objection to coming with a substantive question on the Fort George issue. I shall then dig in my files to come forward with a good answer; certainly a better answer than I could give now.

Madam Speaker: Yes, hon. Ganoo!

Mr Ganoo: Has the hon. Minister given thought to the possibility that the bidder, that is, BWSC, might have recourse to the Supreme Court to seek redress if they consider that injustice has been meted out to them, especially as there is information going around that there is a Bid Re-evaluation Committee which was set up and which recommended that the bidder be convened for clarification and negotiation if need be and so on?

Mr Collendavelloo: Let me start with the last part. There was a second report at the level of the Central Procurement Board of which we were not aware, which apparently surfaced during the proceedings before the IRP. That second report recommended that discussions be held to discuss the shortcomings of the bid more or less. This clearly did not find favour with the CPB - neither the old CPB nor the new CPB - for some reason better known to them. If BWSC is to go to the Supreme Court, that is not going to stop us, unless we get an injunction, from opening new bids. If we get an injunction, I always can fall back on emergency procedures, which I don't want to use if at all possible.

Madam Speaker: Hon. Leader of the Opposition, your last question.

Mr Bérenger: Yes, my last question. I think we can agree to disagree on our assessment of how serious, how big the risk of rolling blackouts; not all blackouts are. I have my own assessment, the CEB, overoptimistic as usual, and clearly the new Minister is making his own assessment. But is he aware that, unfortunately, for South Africa, for our brothers and sisters, it is already a fact that rolling black-outs have been on for months now

because of lack of long-term and medium-term planning? *Et ça nous pend au bout du nez.* Therefore, will the hon. Minister agree with me that there is no room to panic, but no room for complacency as well?

Mr Collendavelloo: As has happened on several occasions, in fact, we are in agreement. This is not time for complacency. I agree with this. There is no disagreement at all as to the attitude which we should take. We must be vigilant, we must be careful, and we must do the utmost that we can to avoid even rolling blackouts. But, what can I do? What can we do with the existing situation? We have got to try and work as fast as possible, which is what I am trying to do.

Madam Speaker: Time is over!