

Solving the power sector's overcapacity problem



ERESH OMAR JAMAL

THE OVERTON WINDOW

ONE of the less talked-about downsides of the pandemic-induced lull has been the increasing financial stress on the Bangladesh Power Development Board (BPDB). According to a study last year by the Ohio-based Institute for Energy Economics and Financial Analysis, Bangladesh is set to have the capacity to "generate 58 percent more power than the nation needs by 2030"—a forecast which crucially takes into account the economic impact of Covid-19. But experts had been warning about the growing overcapacity in the power sector long before the pandemic started.

According to another study from last year (this one done by the Centre for Policy Dialogue) the amount of overcapacity on June 16 of FY18, FY19 and FY20 was 9,437 MW, 8,806 MW, and 10,216 MW—meaning that the rates of overcapacity was 59 percent, 46 percent and 49.8 percent respectively. Thus, the reserve capacity in all the cases were much higher than the 25 percent target set in the Power Sector Master Plan and significantly higher than the 10 percent reserve capacity maintained in many developing countries.

According to BPDB statistics, overall electricity consumption has been falling during winter to almost one-third of the total generation capacity. On December 15, 2020,

the overall electricity consumption during daytime peak hour was 7,160 MW and during evening peak hour was 8,816 MW, against an overall power generation capacity of 20,595 MW. On December 31, 2019, the overall electricity consumption during daytime peak hour was 6,700 MW and during evening peak hour was 8,667 MW, against the overall generation capacity of 19,580 MW. And the significance of this overcapacity has been massive.

The State Minister for Power, Energy and Mineral Resources, Nasrul Hamid, once said in parliament that the government had provided Tk 52,260 crore subsidy to the power sector in the last 10 years, and according to some estimates, that amount has now surpassed Tk 60,000 crore. The country's annual spending on the idle power plants has increased 398 percent over the last decade from approximately Tk 1,790 crore in FY10 to Tk 8,029 crore in FY 2019. And a third of the entire budget allocation for the Power Division and the Energy and Mineral Resources Division last year, it was proposed, would be used as capacity payment to the idle power plants.

So, what's gone wrong? How did the country go from having a power generation deficit a decade or so ago, to having a huge overcapacity?

In 2009, the government quickly wanted to increase power generation capacity, recognising the shortfall that existed back then. However, once the crisis period was over, it continued to increase generation capacity without developing commensurate transmission and distribution networks. Thus, despite the relatively high generation capacity, consumers



The government invested roughly USD 15 billion in electricity generation against only USD 1.5 billion in transmission and USD 2.6 billion in distribution since 2009.

PHOTO: STAR

regularly experienced frequent power cuts, including national grid failures on occasions, leaving large areas across districts in darkness for days. This resulted in industries increasing their captive power generation capacity, as grid power supply quality continued being unreliable, mainly because of inadequate transmission and distribution networks. In 2020, for example, Bangladesh's electricity production capacity was increased by 1,015 MW, with four new power plants added to the national grid, bringing the total number of operational power plants, of both public and private sectors, to 140. Among them was the Payra coal-fired power plants, whose first unit's 660 MW capacity largely remained unused due to the country's lack of transmission and distribution

networks, forcing BPDB to make additional payments of Tk 160 crore per month.

As the installed generation capacity for power surpassed overall demand, experts have been calling on the government to shut down all the rental power plants for some time now. But the government has kept on investing in expensive private rental power plants and last year even renewed deals keeping the rental power plants scheduled to retire in 2020, in operation.

What is concerning is that, according to reports, many of the private power plants were not constructed through solicited, open tender competitions. And it has been alleged that some people had built the power plants just to take the money against the plant's

generating capacity—i.e. in the form of government subsidy.

According to Shamsul Alam, the Consumers Association of Bangladesh energy adviser, "the government has turned the power sector into a lucrative source for businessmen to make money. A section of people is getting rich fast without any risk by investing in the power sector." And according to Khondaker Golam Moazzem, research director at the Centre for Policy Dialogue, since assuming power a decade ago, the Awami League government has "invested abnormally in power generation, partly due to political reasons and partly due to pressure from vested interests".

The solution, therefore, according to most experts, is simple. First, depoliticise the sector, which, of course, is much easier said than done. After that, the government should stop raising the power generation capacity for now. Instead, it should improve the power transmission and distribution capacities, as according to a Power Development Board estimate, the government invested roughly USD 15 billion in electricity generation against only USD 1.5 billion in transmission and USD 2.6 billion in distribution since 2009. With a more reliable and efficient system, the country would need less reserve power, which means it can risk having lower reserve capacity and divert a lot of the funds intended to grow generation capacity further to meet future demands, towards other more pressing needs.

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Expectations from new BGMEA leadership



MOSTAFIZ UDDIN

RMG NOTES

THE Bangladesh Garment Manufacturers and Exporters Association (BGMEA) will announce a new president on April 4, as well as a

All signs suggest that the global business environment will remain in the doldrums for several months from now. What does that mean for our manufacturers and will more of them need access to finance? If so what, if any, are the financial options available?

Put simply, we need to gain a panoramic view of our RMG industry to see precisely where the land lies at the present time, a year on from the pandemic.

This leads us to point two which is to develop a strategy for the short to medium term. Point number one, identifying hotspots, should

the coming months. Nobody wants to see any businesses go to the wall but, at the same time, there is also no point in throwing good money away.

The third priority area would be marketing. Marketing experts often talk about marketing tactics versus marketing strategy. Marketing tactics include actions such as improving online presence, public relations campaigns of the courting of media partners. A marketing strategy is broader. It is about our overall marketing programme, why we are doing it, what it will involve and what it hopes to achieve. This all

rank in terms of social issues? We need to tighten up here as, moving ahead, supply chain due diligence laws in Europe mean brands will be under pressure to ensure high labour and environmental standards are maintained in supply chains. Will Bangladesh be ready to step up to the mark here?

My final point is: don't panic. The business picture looks tough right now, but if the new leadership team at the BGMEA has any doubts, it need only

reflect on the achievements of our RMG industry over the past 40 years. Ours has been a story like no other, and it will take more than one difficult year of trading to derail the juggernaut that is Bangladesh RMG.

BGMEA's leadership will need to reflect and consolidate initially but they can do so safe in the knowledge that our future looks bright. The global apparel "pie" continues to grow and given the turbulent events happening in

many of our key rivals' right now, there is no reason at all why we should not grow our share of a pie which is increasing in size thanks to an increasing global population and rising middle class.

In a world of uncertainty, Bangladesh RMG is a safe pair of hands. BGMEA needs to spread that message loud and clear.

Mostafiz Uddin is the Managing Director of Denim Expert Limited. He is also the Founder and CEO of Bangladesh Apparel Exchange (BAE).

new board of directors. Whoever wins the election and takes over as BGMEA president faces a mountainous challenge.

The past 12-months have turned the normal rules of business on its head, presenting RMG manufacturers from Bangladesh with the most difficult trading conditions in a generation. Billions of dollars' worth of orders have been lost due to the global pandemic, leaving some suppliers facing financial ruin, and many others being left to lick their wounds.

While a vaccination programme is now being rolled out in many parts of the world, we are not out of the woods yet—far from it. As I write this, reports suggest that large parts of continental Europe are new being badly hit with a third wave of the coronavirus, and further lockdowns are looking likely. More uncertainty lies ahead.

So what should the priorities be



So what should the priorities be for the new board and president moving forward? What actions should they take to balance short-term needs of winning orders, with long-term necessities of operating in a more sustainable manner?

for the new board and president moving forward? What actions should they take to balance short-term needs of winning orders, with long-term necessities of operating in a more sustainable manner?

There are five areas I would like to see the new leadership team focus on.

Number one is to take stock of where we are. Amidst the turmoil we have seen in the global markets, now more than ever is the time for cooler heads. We need to look at where our RMG industry is at the present time in terms of orderbooks, business confidence and so on.

How are manufacturers faring amid the pandemic, how many are close to the edge financially, how many are on the brink of closure, what kind of survival strategies are being adopted?

help with point two, which is to map out some workstreams aimed at consolidating our industry in the coming months.

Finance is obviously integral for the next few months. We know the industry has had government support since the pandemic started. The question is, are there any funds left and, if so, who holds the key to them? There was talk of the ILO leveraging money for our garments industry last year. What has happened to that money, has any of it been made available yet? Is there any more money available from international donors?

If cash is available, we need to think how best to distribute it, which should be our priority area. While there will be many very worthy causes, some difficult decisions may need to be made in

ties in with the overall business development strategy.

For me, Bangladesh RMG has lacked a robust marketing strategy in the past. We have had ad hoc efforts in this area but there has been no sense of overriding purpose, a lack of coherence and direction. Now, more than ever, we need to change this picture. The apparel industry, while very uncertain right now, also offers a wealth of opportunities. Brands are desperately seeking sourcing partners that can offer stability, reliability and low risk. Bangladesh can be that partner and how we promote ourselves to our global partners should reflect that. Marketing—winning hearts and minds—is key.

Number four priority should be to focus on the long term. Initially I talked about taking stock of where we are. In the long term we need to go deeper than this and do a complete SWOT—strength, weaknesses, opportunities, threats—of our RMG industry. Where are the growth opportunities for the future? Where should we be directing resources and which areas do we need to be cutting back on?

The global market is crying out for sustainably produced apparel, so what are we doing to provide that? Can we meet the requirements for closed loop and recycled production and, if not, why not? Do we have over-capacity issues—almost certainly—and what are we doing to address this issue? How do we

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স্বাস্থ্য বিভাগ
উপজেলা স্বাস্থ্য ও পরিবার পরিকল্পনা কর্মকর্তার কার্যালয়
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তারিখ- ২৭/০৩/২০২১ইং

স্মারক নং-উজ্জ্বে:স্বাস্থ্য/লামা/এমএসআর/২০২১-১৩৫০

উন্মুক্ত দরপত্র বিজ্ঞপ্তি (OTM)

বান্দরবান পার্বত্য জেলা স্বাস্থ্য উপজেলা স্বাস্থ্য কমপ্লেক্সে ২০২০-২১ইং অর্থ বছরে এমএসআর সামগ্রী ক্রয়/সরবরাহের নিমিত্তে "The public procurement act. 2006 ও বিধিমালা ২০০৮, সংশোধিত আইন ও বিধিমালা ২০১৯" মোতাবেক ঠিকাদার নিয়োগের নিমিত্তে প্রকৃত বাংলাদেশি ঠিকাদার/বাবসারী/সরবরাহকারীদের নিকট হতে সীলপালাকৃত খামে উন্মুক্ত প্রতিযোগিতায় দরপত্র আহ্বান করা যাচ্ছে। এতদসংক্রান্ত প্রয়োজনীয় তথ্যসমূহ নিম্নে প্রদত্ত হোচ্ছে।

ক্রমিক নং/বিভাগ	স্বাস্থ্য ও পরিবার কল্যাণ মন্ত্রণালয়।
০১	এজেন্সী
০২	স্বাস্থ্য অধিদপ্তর।
০৩	উপজেলা স্বাস্থ্য ও পরিবার পরিকল্পনা কর্মকর্তা, লামা, বান্দরবান।
০৪	স্বাস্থ্যকর্মী সত্ত্বার নাম
০৫	বান্দরবান পার্বত্য জেলা।
০৬	দরপত্রের নাম
০৭	এমএসআর "ক"- গ্রুপ ইউসিএল বহিঃকৃত ঔষধ সামগ্রী সরবরাহ।
০৮	এমএসআর "খ"- গ্রুপ যন্ত্রপাতি সামগ্রী সরবরাহ।
০৯	এমএসআর "গ"- গ্রুপ লিলেন সামগ্রী সরবরাহ।
১০	এমএসআর "ঘ"- গ্রুপ গজ ব্যাজেজ কটন সামগ্রী সরবরাহ।
১১	এমএসআর "ঙ"- গ্রুপ এঞ্জুরে কেমিকেল রিয়েজেন্ট সামগ্রী সরবরাহ।
১২	এমএসআর "চ"- গ্রুপ আসবাবপত্র ও অন্যান্য সরঞ্জামাদি সরবরাহ।
১৩	উন্মুক্ত দরপত্র পদ্ধতি।
১৪	গণপ্রজাতন্ত্রী বাংলাদেশ সরকারের রাজস্ব খাত।
১৫	স্মারক জারীর তারিখ হতে।
১৬	উপজেলা স্বাস্থ্য ও পঃ পঃ কর্মকর্তার কার্যালয়, লামা, বান্দরবান পার্বত্য জেলার হিসাব শাখায় আগামী ২৮/০৩/২০২১ইং তারিখ/ হতে ১৮/০৪/২০২১ ইং তারিখ পর্যন্ত অফিস চলাকালিন।
১৭	১৮/০৪/২০২১ইং তারিখ সকাল ১০.০০টা থেকে দুপুর ০১.০০টার মধ্যে উপজেলা স্বাস্থ্য ও পরিবার পরিকল্পনা কর্মকর্তার কার্যালয়, লামা, বান্দরবান পার্বত্য জেলায় রফিক দরপত্র বাজে দাখিল করতে হবে।
১৮	১৯/০৪/২০২১ইং তারিখ বেলা ০১.৩০টায়।
১৯	সভাকক্ষ, উপজেলা স্বাস্থ্য ও পঃ পঃ কর্মকর্তার কার্যালয়, লামা, বান্দরবান পার্বত্য জেলায় দরপত্র উন্মুক্ত করণ কমিটি এবং দরপত্র দাতা/প্রতিনিধিদের উপস্থিতিতে (যদি কেহ উপস্থিত থাকেন) দরপত্র বাজ্ঞা খোলা হবে।
২০	দরপত্র দাতার যোগ্যতা ও দরপত্রের অন্যান্য শর্তাবলী উপজেলা স্বাস্থ্য ও পরিবার পরিকল্পনা কর্মকর্তার কার্যালয়, লামা, বান্দরবান পার্বত্য জেলার হিসাব শাখা হতে জানা যাবে।
২১	সোনালী ব্যাংক, লামা উপজেলা শাখায় আগামী ২৮/০৩/২০২১ইং তারিখ হতে ১৮/০৪/২০২১ইং তারিখ পর্যন্ত যে কোন দিন দরপত্র সিডিউলের মূল্য চালানোর মাধ্যমে কোড নং-১-২৭১১-০০০০-২৩৬৬ এ জমা করণ চালানোর মূল্যকপি সহ নিজস্ব প্যাডে আবেদনের মাধ্যমে উপজেলা স্বাস্থ্য ও পরিবার পরিকল্পনা কর্মকর্তার কার্যালয়, লামা, বান্দরবান পার্বত্য জেলার হিসাব শাখায় জমা প্রদান পূর্বক দরপত্র সিডিউল সংগ্রহ করতে হবে।
২২	গ্রুপ
২৩	গ্রুপের বিবরণ
২৪	সিডিউলের মূল্য
২৫	বায়না
২৬	জামানত
২৭	কমিটি
২৮	১০% হারে
২৯	কার্যসম্পাদন
৩০	জামানত প্রদেয়
৩১	হবে।
৩২	জেলা।
৩৩	ডা. মোঃ মহিউদ্দিন মাজেদ চৌঃ, উপজেলা স্বাস্থ্য ও পরিবার পরিকল্পনা কর্মকর্তা, লামা, বান্দরবান পার্বত্য জেলা।
৩৪	মোবাইল- ০১৭৬৯৯৫৭৩৬৮, ইমেইল-lama@uhfpo.dghs.gov.bd
৩৫	১। দরপত্র কমিটির সিদ্ধান্তই চূড়ান্ত বলে বিবেচ্য হবে এবং কোন কারণ দর্শানো ছাড়াই সকল দরপত্র গ্রহণ ও বাতিল করার ক্ষমতা মূল্যায়ন কমিটি সরক্ষণ করেন। দরপত্র বিজ্ঞপ্তির ১৩নং কলামে উল্লেখিত দরপত্র দাতার যোগ্যতা ও শর্তাবলী পালন না করলে দরপত্র Non Responsive বলে গণ্য হবে।
৩৬	২। দরপত্রের সাথে দেয় শর্তাবলী মধ্যস্থত ভাবে পালন করতে হবে, অন্যথা দরপত্র বাতিল বলে গণ্য হবে।
৩৭	৩। অনিবার্ণ কারণ বশত দরপত্র দাখিল/খোলার দিন অফিস বন্ধ থাকলে পরবর্তী কার্যদিবসে একই স্থানে/একই সময়ে দরপত্র দাখিল/গ্রহণ/খোলা হবে।

GD-629

(ডা. মোঃ মহিউদ্দিন মাজেদ চৌঃ)
উপজেলা স্বাস্থ্য ও পরিবার পরিকল্পনা কর্মকর্তা
লামা, বান্দরবান পার্বত্য জেলা।