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Policy may well energise a fledgling industry

COMMENTARY

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A group of renewable energy producers in Thailand has reason to panic following Energy Minister Siri Jirapongphan's announcement last week that the government will not buy more renewable power over the next five years.

This policy will affect potential renewable energy developers. In Thailand, renewable power businesses are classified as either "small" or "very small" producers due to the size of their generated capacity — between 10MW and 90MW each for the former or less than 10MW for the latter.

Since 2007, Thailand has used a form of subsidy to incentivise investment in solar power for which state utilities buy electricity from producers at a subsidy rate of 8.5 baht per kilowatt-hour. This is higher than the rate of 2.4 baht per kilowatt-hour that the state-run Electricity Generating Authority of Thailand (Egat) pays to conventional producers.

But the government says it will still buy electricity from renewable power producers as long as the selling price is no higher than 2.4 baht per kilowatt-hour.

Mr Siri has justified this policy with a number of reasons. First of all, he says Thailand has enough power reserved for the medium term so there is no need to buy more electricity. Second, the cost of buying renewable power has remained high due to the subsidy programme.

The state considers the subsidy rate as too high there has been a sharp decline in production costs for renewable power in recent years due to technology advancements.

Mr Siri's announcement has sparked debate and triggered concerns over the future of renewable energy development. Some have accused the minister of trying to curb growth of the renewable energy sector.

But his policy in fact could open more room for improvement in the sector.

Currently, the renewable energy sector is heavily dominated by major companies. The government should come up with an additional plan to help local and community-based renewable power producers gain access to the market and

capture a share of the industry.

There are signs of such a prospect. The Energy Ministry is promoting local biomass power plants in the deep South with a total capacity of 300MW, aiming to solve power shortages in this part of country over the next three to five years.

Southern Thailand has been plagued with conflicts over energy development, pitting local people's concerns over environmental impacts against the state's electricity generation plans. Egat, which is in charge of producing and purchasing power, had planned to build two coal-fired power plants in Songkhla and Krabi with capacity of 2,200MW and 800MW respectively. To the public's surprise, Mr Siri signed an agreement with local protesters in February to suspend the two projects for three years. His decision triggered an Egat staff protest.

Another promising sign is the state's growing recognition of the importance of those who produce electricity for their own use. The Energy Policy and Planning Office (Eppo), which oversees national energy policy, recently recognised a portion of electricity generated by this group of producers and incorporated it into its

power demand forecast.

Eppo director-general Twarath Sutabutr recently said there has been continual growth in power generated by this group. About 1,000 out of 2,700MW of their electricity is generated from renewable sources. If there is a steady increase in this sector of those who produce electricity for their own use, Thailand will be able to reduce its reliance on big conventional power plants.

Over the past decade, renewable power has expanded in capacity from 100MW to almost 10,000MW at present. Thailand's power development plan for 2015-2036 sets the proportion of renewable power at 20%, or 19,634MW by 2036.

However, expansion of renewable energy development needs bold action from the state. First, it has to alter existing transmission lines to enable connectivity between the national grid and renewable power facilities. Second, it has to allow greater access for new, small producers to the electricity market.

In 1992, the government of then prime minister Anand Panyarachun amended regulations to enhance the role of the private sector in electricity production.

Instead of depending solely on Egat to generate power in previous years, independent power producers (IPPs) began to thrive.

The law amendment led to three rounds of bidding for power purchase agreements with the state in 1994, 2007 and 2013. Since then, 13 major coal- and gas-fired power plants have been established across the country to serve 25-year power purchase agreements signed between established companies and Egat.

These companies include Union Power Development Co, a subsidiary of Saha Union Group (of which Mr Anand was once president), and BLC Power Ltd which is partly owned by EGCO, a company that Egat holds a stake in.

Eppo data shows that Thailand's total energy capacity in January was 42,209MW — 37% of which was generated by Egat, 36% by IPPs, 18% by small producers and 9% imported.

With the dominance of the many long-term power purchase agreements that Egat has signed with these producers, there is less room for small renewable energy producers to participate in the state's purchase scheme and grow.

Meanwhile, these contracted companies remain influential in the conventional energy sector.

According to Santi Choakchaichamnankit, an academic at Energy Watch Group, overall generated power capacity in Thailand exceeds demand due to the purchase commitments the state has made with IPPs and other producers.

Egat's website shows Thailand's reserve margin was 39% higher than the peak power demand in 2016, while the minimum reserve requirement is 15%.

But as Mr Santi puts it, the renewable energy trend "is an unavoidable future." Sooner or later the government will be forced by the trend to shift to renewable-generated sources.

Once its contracts with big power producers end, the state should allow small renewable power producers to play a greater role in feeding electricity to Thai consumers while ending the monopolisation of those conventional power producers. It's the way out if we want to move toward a clean energy era. —

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Workers set up rooftop solar power panels. The Energy Ministry recently announced a plan to stop buying more renewable power over the next five years. WEEFABOON WISARTSAKUL