

The "Chilean Road"—electricity blackouts

Perla Astudillo
16 July 1999

Chile's power crisis is not over, Energy Ministry executive secretary Cristian Nicolai declared this week, contradicting claims by two generating companies, Colbun and Endesa. Nicolai indicated that another year of severe power blackouts lies ahead.

For the last eight months 13 million people, or 90 percent of the Chilean population, have endured daily power restrictions and shutdowns. The country's main power grid, the Central Interconnected System (SIC) has effectively collapsed. At the root of the breakdown is the Pinochet regime's privatisation of the electricity system.

On and off shortages have been the order of the day since 13 days of electricity restrictions and failures created economic and social havoc last November. Major industry, workplaces, businesses, homes, hospitals and schools have been affected, with public and private transport in chaos due to traffic light restrictions. The situation was only temporarily rectified last year. Reports of breakdowns re-emerged by January this year. By April, the government had announced full-scale daily restrictions and shutdowns.

In mid-May, a third of all hospitals in the Santiago metropolitan region were affected by electricity shortages, along with 100 state hospitals out of the 179 throughout the country. In some circumstances, central regional hospitals were forced to curtail patient services such as x-rays and dialysis machines not covered by emergency generators. Hospital equipment, in addition, became de-programmed. In some hospitals, the restrictions threatened the lives of patients on life support.

Access to electricity continues to worsen. In many poor and rural regions, blackouts take place in the evenings without any warning, whilst in the wealthier suburbs, restrictions occur during the day. Those caught using electricity during set rationing times faced fines of up to \$US320,000. The daily cost of the electricity

crisis for the government is estimated to be up to \$11.5 million.

The catalyst for the initial electricity breakdowns last November was a major water shortage caused by severe drought, considered the most severe to hit Chile in 50 years. Hydroelectricity plants provide approximately 70 percent of energy to the SIC.

However, entirely preventable man-made causes then took hold. As soon as the hydroelectricity supply entered critical lows, the entire thermoelectric system began to collapse. This set in train a virtual domino effect, with successive collapses of generators and turbines, along with regular technical failures in the distribution system.

While the government and media attribute the crisis solely to the drought, a number of reports point to the role of the privately-owned companies, large and small, that now run the generation, distribution and transmission of electricity.

In one newspaper interview, the recently resigned National Electricity Commission Executive Secretary, Maria Isabel Gonzalez explained: "For commercial reasons, none of the companies hold information about energy supply of any of the others and therefore none of them really had an overall picture of the situation ... Because they did not deliver information about supply problems at the right time, the CDEC (the organisation which groups together the power companies) had difficulties in coordinating strategies."

In another newspaper interview, Deputy Energy Minister Oscar Landerretche said the power companies still resisted buying energy from other companies with surplus supplies, like Codelco, which has its own electricity generator for El Teniente, a major copper mine.

As Gonzalez indicated, it is not in the various electricity companies' profit interests to centralise and coordinate their data and supplies—they are in cut-throat

competition. Commercial confidentiality and secrecy has hampered any attempts to overcome the crisis.

This rivalry derives from the establishment of the central grid, the SIC, in the first place. Some economists consider this grid to be nearly perfect for the sale of electricity. It was set up in 1985 to coordinate electricity supply through the national network—fully privatised by 1989—and supposedly to provide a proper backup in the event of a calamity such as a drought.

In reality, the SIC was created to ensure that the electricity system become profitable. Companies compete against each other to deliver the cheapest electricity and, in this way, secure markets for themselves. Over a period of time, the entire network system and infrastructure has been literally cut to the bone—including equipment maintenance.

At the onset of the hydroelectricity breakdown, the companies controlling the back-up system proved totally incapable of taking on the extra supply load. Literally within days, their old and decrepit generators broke down—many beyond repair.

Despite having over eight months available to them, most companies have still been unable, or unwilling, to replace the expensive equipment. So desperate is the drive to cut costs that the only turbine replacements being made available by the largest company, Endesa Chile, are 30 years old.

The Pinochet regime established the SIC to help create an investment haven. Prior to this, Pinochet had slashed the public system. In fact, Pinochet boasted of the largest downsizing of any public electricity system throughout Latin America—between 1974 and 1986, 40 percent of the jobs were eliminated.

Once the SIC was operating, profits literally skyrocketed. From 1985 to 1995, they increased at an annual rate of 6.9 percent, with an 82.4 percent accumulated increase for the entire period. The period of 1990 to 1995 saw an even greater average annual increase of 8.4 percent. Meanwhile, there were huge hikes in electricity rates for ordinary Chileans, making electricity a luxury.

Since 1985, both under Pinochet and his civilian heirs, the Chilean government has been involved in one of the largest privatisation experiments in the world—hailed by market economists as the “Chilean road”. In a recent newspaper report, the present

government declared that almost all 550 previously state-run companies had been privatised. In the electricity sector, it has carved up the public companies Endesa and Chilectra and sold off their component companies. While this aroused huge opposition in the working class, the unions convinced workers to accept the government plan.



To contact the WSWS and the
Socialist Equality Party visit:

wsws.org/contact