

Food for Thought

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MANJUNG 4 POWER PLANT: ELECTRICITY GENERATION SECTOR NEEDS STRICTER REGULATORY FRAMEWORK

WEDNESDAY, APRIL 08, 2015 | Comments(0)

PRESS RELEASE - 6TH APRIL 2015 (MONDAY)

MANJUNG 4 POWER PLANT: ELECTRICITY GENERATION SECTOR NEEDS STRICTER REGULATORY FRAMEWORK

Last week, Association of Water and Energy Research Malaysia (AWER) has received information that Tenaga Nasional Berhad's (TNB) 1000 MW Manjung 4 coal power plant would not be able to meet Commercial Operation Date (COD) on 31st March 2015. The Manjung 4's COD is expected to be delayed between 2 weeks to 4 weeks.

Based on information gathered by AWER on this issue, the Manjung 4 power plant is now undergoing the final test that must be completed as stipulated under the Power Purchase Agreement (PPA) before given certificate to officially begin COD. During the current delay in COD, Manjung 4 is still generating electricity and connected to the grid. Based on PPA, fuel used during testing is a pass through to electricity tariff. Furthermore, the capacity charges will not be paid until COD is achieved. In addition to that, TNB is paying the daily penalty as stipulated in the PPA. Therefore, based on parameters mentioned above, there is no additional cost to electricity tariff.

Delay in project completion highlights Malaysia is lacking of regulatory framework to ensure problems in electricity generation sector are addressed accordingly. This (Manjung 4 failed to meet COD) is not the only problem that is plaguing the electricity generation sector.

Electricity generation sector is a loosely regulated portion of electricity industry in Malaysia. Since 2011, AWER has requested a stricter regulation to govern the generation sector of electricity industry. Unfortunately, our calls fell on deaf ears and it is now opening a whole can of

worms.

Let's look at some of the issues that have arisen in the past 12 months:

- (i) The derailment of coal power plants has left few states without electricity in May 2014.
- (ii) Direct negotiation of 2 gas power plants without competitive bidding. Both the power plants had enough time to call for a competitive bidding process.
- (iii) Application for extension of a 1000 MW coal power plant that is under construction phase. Recently, the plant owner has claimed that the plant is on track. However, Energy Commission has not guaranteed it yet.
- (iv) Application for extension of a 2000 MW coal power plant that has not even completed its financial close.
- (v) Delay in COD of a completed and operating power plant took place.

These issues took place in less than 12 months and all of these issues could have been avoided if the relevant agencies carried out their duties professionally. AWER urges Public Accounts Committee (PAC) to investigate Ministry of Energy, Green Technology and Water (KeTTHA), Energy Commission as well as Planning and Implementation Committee for Electricity Supply and Tariff (JPPPET) over their failures in carrying out their duties. All of their decisions must be investigated in detail.

Most of the issues above causes increase in cost of electricity generation due to additional fuel cost and capacity charges incurred. All these issues show the dire need of regulatory framework in the electricity generation sector. Ad-hoc policy changes (award of power plant projects via direct negotiation) compared to pledges published in 10th Malaysia Plan, Economic Transformation Programme (ETP) reports as well as expensive consultancy study (by MyPower Corporation) must also be investigated. Construction of power plants is not like building a playground in a community. It needs detailed planning and the need to build a new power plant will be known way before the time to call for competitive bidding. The reason for 'insufficient time' and award of direct negotiation goes beyond norm.

AWER urges the PAC to table the findings in the Parliament to further enhance the electricity sector which is equivalent to national security. There is a serious need of continuous monitoring of power plants (before financial close, during construction and during operation), stricter regulatory framework, continuous standard improvement, independent inspection and regular reporting.

Piarapakaran S.

President

Association of Water and Energy Research Malaysia (AWER)

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