

# Food for Thought

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## **HAS POWER PLANTS BECOME DOOR GIFTS?**

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### **HAS POWER PLANTS BECOME DOOR GIFTS?**

#### **1. PENINSULAR MALAYSIA ELECTRICITY DEMAND**

Table 1 shows the electricity demand growth in Peninsular Malaysia from financial year 2011 to 2015. It is evident that the growth has been declining after financial year 2012. Declining electricity demand growth will also mean that there will be no need to fast track any projects at the moment.

**Table 1: Electricity Growth in Peninsular Malaysia**

Financial Year Electricity Growth in Peninsular Malaysia (%)	
2011	3.1
2012	4.3
2013	3.8
2014	2.5
2015	2.2

Source: Tenaga Nasional Bhd ([www.tnb.com.my](http://www.tnb.com.my))

## **2. 1000 MW UTILITY SCALE SOLAR (USS)**

Based on news reports, Ministry of Energy, Green Technology and Water (KeTTHA) has awarded 200 MW of USS project via direct negotiation to fast track the implementation of the USS project. Do we need it desperately? Electricity demand has taken a dip for the past few years and "fast tracking" 200MW USS does not make any engineering and economic sense. The last few fossil fuel power plant projects were awarded via direct negotiations by using misrepresented engineering facts to justify such falsely needed "fast track" move. All these direct negotiations must be stopped and all the 1000 MW USS must be awarded via fair and transparent competitive bidding process by Energy Commission. "Fast Track" reasoning is making Malaysia look like having ZERO engineering and planning capabilities. Any delay in reaching higher Renewable Energy (RE) mix in electricity generation mix is the fault of KeTTHA. AWER has warned KeTTHA on the possible failure in Feed-in-Tariff (FiT) mechanism as well as the redundant formation of Sustainable Energy Development Authority (SEDA) since 2011. Awarding direct negotiation to meet the failure of SEDA and FiT is not the right way. In fact, KeTTHA and its officers (both current and former) who pushed the formation of SEDA and FiT as a solution to rapidly increase RE mix should be held accountable and severely punished.

## **3. EXTENTION OF OLD POWER PLANTS**

Based on media statement released by Energy Commission on 9th October 2012, the levelised tariffs of extended old power plants (Genting Sanyen Power, Segari Energy Ventures and TNB Pasir Gudang) were published. Old power plants have lower generation efficiency and will pass on a higher fuel cost to electricity tariff. Last year, it was widely reported that Energy Commission will be calling for competitive bidding for extension of some of the old power plants. When extensions were given, there was no announcement of the levelised tariff that was approved for these extensions. Why Energy Commission fail to publish the levelised tariffs like what it did back in 2012? What Energy Commission is trying to hide? How many bidders were involved and what were the bidding prices? Why there is no transparency in this? Association of Water and Energy Research Malaysia (AWER) would like to reiterate that, the current extension of old power plants are due to failure of Energy Commission to prevent delay in new power plant projects to meet the financial close. This risk was already highlighted to Energy Commission and KeTTHA for the past few years. Their failure to take the right action is now causing higher fuel cost to be passed to electricity tariff.

## **4. THE FATE OF TRACK 4A**

Track 4A is a 1000 - 1400 MW combined cycle gas turbine (CCGT) power plant which takes about 32 to 36 months to complete. The project was awarded to a consortium of SIPP-YTL-TNB. However, both YTL and TNB have pulled out of the project. The project has also missed its financial close requirement few times. Energy Commission must cancel the award of Track 4A to SIPP and call for a transparent competitive

bidding immediately. Delay in calling for competitive bidding will exhaust the time available for the competitive bidding process. Why is Energy Commission preventing competitive bidding? Failure to carry out competitive bidding will prevent fair and equitable cost from being passed on to electricity tariff.

## **5. FOREIGN EQUITY CAP AND SALE OF DEVELOPMENT RIGHTS OF POWER PLANT PROJECTS**

There was no removal of foreign equity cap when IMBD's energy assets sale bidding was closed on 16th October 2015. Malaysia has a cap of 49% foreign equity ownership for our electricity generation sector as energy assets are part of national strategic assets. These are part of our national security. Therefore, any entity that participates in power plant bidding in Malaysia must abide by this policy and the government must not entertain any request to change the policy to prevent setting bad precedence in the industry. On 29th February 2016, Energy Commission uploaded a notice for the pre-qualification of prospective bidders and the foreign equity ownership cap of 49% is valid and utilised in this notice. Is there a policy flip-flop? There were also some reasoning that Power Purchase Agreements (PPA) will protect the consumers' and nation's rights. PPA is just another commercial agreement and step in right can be prevented if the owner of the power plant justifies that they are doing "something" to address the problem with the power plant. Energy Commission and KeTTHA should be fully aware of this. Do not hoodwink!

Award of power plants comes with strict conditions including preventing sale of development rights. Track 4B which is a 2000 MW combine cycle gas turbine (CCGT) in Malacca and 10 x 50MW utility scale solar power plants which were awarded via direct negotiation to 1MDB were included in the 1MBD's energy assets sale. These power plants are yet to be constructed. Why did Energy Commission allow sale of project development rights?

## **6. JPPPET, DO WE NEED IT?**

Planning and Implementation Committee for Electricity Supply and Tariff (JPPPET) is a very important set up for future planning of electricity supply. All decisions made by JPPPET will give direct impact to electricity tariff and these decisions must be made public. Mysteries that JPPPET documents must reveal are:

- (i) reasons for Track 4A to be given via direct negotiation;
- (ii) was 10 x 50 MW USS awarded to 1MDB part of its decision;
- (iii) reasons for 200MW USS to be given via direct negotiation; and
- (iv) does this committee know how to do planning for the nation's electricity supply?

## 7. AUDITOR GENERAL MUST INVESTGATE

Energy Commission is duty bound to follow the functions and powers outlined in Electricity Supply Act and Energy Commission Act. As such, failure to carry out these duties and responsibilities spelled out in both the acts is a treachery to the nation and must be severely dealt with.

Power plant construction and its costing poses huge cost impact to electricity tariff, competitiveness, good and services affordability, investors' confidence and nation building. We urge Auditor General to audit the following issues:

- (i) audit all approval processes and award letters for power plant in KeTTHA, Energy Commission and Sustainable Energy Development Authority (SEDA) from 2012 onwards;
- (ii) audit all JPPET decisions, meeting minutes, documentations and presentations from 2012 onwards;
- (iii) handling of competitive bidding process for new power plants and documentation including how nodal points and land requirements (green field and brown field) are set;
- (iv) extension process of old power plants and its bidding process; and
- (v) failure of SEDA and FiT to meet RE mix target as well as SEDA mysterious set up process and FiT mechanism.

These findings must be tabled to the Parliament and published for public knowledge.

Competitive bidding is to ensure public and business community benefits from fair and equitable tariff. Many engineering facts were misrepresented to members of public and Parliament to justify so called 'fast track' and 'direct negotiation' as well as extension of old power plants. All these have very serious and negative repercussion for Malaysia in the long run. Moreover, why should the government continue to employ incompetent people to run Energy Commission? Many industry stakeholders and investors have expressed their concern over the latest developments in electricity sector. We urge the government to take immediate action as there is no point of crying over spilt milk.

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President

Association of Water and Energy Research Malaysia (AWER)

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