

# Food for Thought

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## **SEDA MUST STOP LIP SERVICE**

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### **SEDA MUST STOP LIP SERVICE**

This is response to Sustainable Energy Development Authority (SEDA) that has earlier (on 13th July 2013) replied to AWER's call to Close Down SEDA in few local media. AWER would like to respond to the points raised by SEDA that were misleading the public:

#### **(i) Feed-in-Tariff (FiT) is made known via the website**

The documents that SEDA has presented in its website and the rates involved were already read by our team sometime back. In fact, **AWER is asking the BREAKDOWN of FiT UNIT COST and NOT Levelised Cost of Energy (LCOE)**. If unit cost for FiT rate is  $X$ ,  $X = \text{capital expenditure (capex)} + \text{operational expenditure (opex)} + \text{regulated profit}$ . The documents in its website also did not revealed how the efficiency perk rates were achieved and determined. How SEDA derived the minimum efficiency that is needed for a Renewable Energy (RE) system to be allowed to plug in to the grid? AWER cannot be calling Dr Jacob (the expert SEDA referred in its response) for the breakdown of FiT unit cost. It is SEDA that need to provide these information.

FiT is generated from public fund via electricity tariff. A small group of domestic consumers and all commercial and industrial users have to contribute an additional levy of 1% from their electricity bill. **SEDA's response has conveniently left out the large portion that is contributed by commercial and industrial users**. With the Fuel Cost Pass Through (FCPT) mechanism going to be put in place, FiT charges of 1% will definitely increase. While SEDA might claim it is peanut for domestic consumers, this 1% levy will pose a huge bill for

commercial and industrial users. **The commercial and industrial users will then pass down this additional cost to products and services rendered. Eventually, all of us still have to pay for it; it is well known that businesses will pass any additional cost through to consumers.**

**(ii) Transparency is practiced via Section 26 of the RE Act 2011**

It is absurd to say that AWER is not aware of certain section within the RE Act 2011 and SEDA Act 2011. It was read through by us and concerns were raised **CONSTRUCTIVELY** to Ministry of Energy, Green Technology and Water (KeTTHA). Before the bills were passed in Parliament, we have written to the former KeTTHA minister and urged not to form SEDA because Energy Commission (ST) can implement RE Act 2011 with necessary amendments. Well, there is **NO REPLY** on the matters we have raised till date except reply from ST on our call to form an independent panel to investigate SEDA late last year. Anyway, ST's reply is very vague and of no use. The statement by SEDA that Parliament will review the FiT does not fully guarantee that SEDA is transparent. Many issues are presented in Parliament. Yet, there are still many **unsolved 'mysteries' in the X-files** of government agencies. It is also not professional for fully paid staffs of SEDA to pass the bucks to Members of Parliament (MPs). When constructive response is not entertained, it is our duty to educate the public and their representatives. This is the principle AWER has agreed upon with KeTTHA's Secretary General if KeTTHA or its agencies fail to correct their mistakes.

**(iii) Sustainability of the RE Development after lucrative years**

SEDA's answers and its handbook are not giving definite answers to our questions on sustainability of the RE development after lucrative years. It does not say either YES or NO. The reasons given by them are known by many. Again, RE development would fail miserably after lucrative years. The most important point that SEDA have failed to acknowledge is that, raw material for RE solutions will still have a say in the costing. Supply and demand will shoot up prices. The wind turbine project in Germany is a good example. Similar short of supply will continue to be the reason of affecting Grid Parity from being achieved. Is it really short of supply or otherwise? When you come from non-technology owner country, you will be severely affected. **Malaysia is relatively a small economy; we need to step carefully before getting trapped in an "international best practice" vicious cycle.**

**(iv) They were wise enough to make amendments in view of local context**

These were the cosmetic part of the RE work they are mentioning in their response. The entire life cycle of implementing RE policies and FiT policies are still very much dependent from where it was copied from. If the readers observe, "international best practice" was repeated many times by SEDA. Unfortunately, **NOT** all "international best practice" is practical in Malaysia. For example, the original Incentive based Regulation (IBR) developed by ST would have killed electricity industry in Malaysia instantaneously if AWER had not stepped in to push for amendments. SEDA have not even talked about electronic waste generated from solar PV. No one talks about maintenance cost and reduction in efficiency of RE systems throughout their life cycle as well. These are some of the negative factors that many "international best practice" has swept under carpet.

During a consultation process just before SEDA was formed, a member from Forest Research Institute of Malaysia (FRIM) did raise the issue of palm oil fibre having other lucrative choices compared to FiT. The reply from KeTTHA was the FiT rates are better. Actually, if the fibre from palm oil receives higher return and with lower capital expenditure in converting it to packaging materials (which eventually can be recycled over and over again with very low carbon footprint), FiT becomes not attractive. If a biomass plant is just 14% to 20 % efficient, almost 80% of the fibre does not bring returns. As industry player, if demand for fibre in packaging or even soil improvement increases, 100% of the fibre brings better return. Eventually, businessmen will shy away from FiT. It was mentioned in SEDA's reply that someone was wise enough! Think again and you will have a good laugh.

**(v) Intelligent system, the "e-FiT", WOW.....**

Again, a database system is open to abuse as human still control the input and output. Anyone who has access to the database system can alter the database even after an application is submitted. Therefore, a lengthy reply by SEDA on this part is of no actual essence. Hail "e-FiT", hail "e-FiT, hail "e-FiT" for what? The independent panel suggested by AWER must investigate the monopoly problems that few MPs have raised last year.

**(vi) SEDA is Accountable, Efficient, Competent and many other goodies**

We are not interested to wash KeTTHA's dirty linen in public. All of the officers involved from KeTTHA and relevant agencies know how office politics was played to form SEDA since the launching of National Green Technology Policy. Why Small Renewable Energy Project (SREP) was a failure? Why the officer in charge of SREP is sitting as a senior officer in SEDA now since SEDA questioned the progress of SREP in its reply? It was the same senior officer that blame ST for doing nothing on RE while KeTTHA has blocked ST from developing RE.

Misleading the parliament and the cabinet into approving SEDA Act 2011 and RE Act 2011 (under SEDA) is a serious offence too. It is a shame that SEDA is so desperate until it needs to use YAB Prime Ministers pledge on Carbon Intensity Reduction in COP 15 to justify their existence. As Prof Albert Einstein has said, 'shooting birds in the dark in a country where there are few birds', SEDA is now shooting all nicely worded answers but actually it did not answer our questions at all. Now, members of public will actually know how the relevant officers have persuaded the cabinet and parliament to form SEDA. In Malaysian context, SEDA is now "tembaklah apa-apa yang ada..."

**(vii) The Challenge from AWER**

The government and the cabinet must approve formation of an independent panel to investigate discrepancies in the FiT and SEDA. The panel must consist of 3 MPs from ruling government, 3 members of opposition MPs and AWER should be selected. A total of 7 members with voting rights and a Chairman without voting rights must be appointed with full authority to access all related documents. All proceeding of the panel's investigation must be made public too. This is one in a million chance for SEDA to clear its name!

FiT is sourced from people directly via electricity tariff and correct implementation is vital. Efficiency in the government expenditure for

implementing RE is also equally important to prevent waste of tax payers' money. AWER is not against RE development in Malaysia, but the SEDA and FIT is set to be glaring failure according to "international best practice". **If SEDA feels that they are right, SEDA's chairman Tan Sri Dr Fong Chan Onn and the board members must IMMEDIATELY recommend to the new minister of KeTTHA to allow cabinet to form the independent panel suggested by AWER to clear SEDA's name.** So far, why SEDA is shying away from such a panel that can clear their name for more than a year?

## CONCLUSION

We repeat, incompetent and corrupt government officers as well as those with vested interest have caused many governments to collapse. History gives good examples of future and ironically, history repeats itself. Smart leaders will learn from mistakes and make changes. We need a brave Cabinet and MPs to shut down SEDA mistake so that RE is back on track.

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President

Association of Water and Energy Research Malaysia (AWER)

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## Comments (0 Posted)



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