

Food for Thought

Dear friends, welcome to my piara.com.my. You are invited to give comments on the blog entries below.

KeTTHA AND ENERGY COMMISSION MUST CARRY OUT TRANSPARENT COMPETITIVE BIDDING OR STEP DOWN EN BLOC!

MONDAY, JUNE 16, 2014 | Comments(0)

PRESS RELEASE 10th JUNE 2014 (TUESDAY)

KeTTHA AND ENERGY COMMISSION MUST CARRY OUT TRANSPARENT COMPETITIVE BIDDING OR STEP DOWN EN BLOC!

Association of Water and Energy Research Malaysia (AWER) rejects the reasons outlined in the Energy Commission's press statement dated 31st May 2014 to justify direct negotiation for construction of Track 4A. Since 2011, we have raised numerous time to the former Minister of Energy, Green Technology and Water (KeTTHA) on the need to conclude first generation Power Purchase Agreements (PPAs) renegotiations quickly to enable transparent competitive bidding process to plant-up new generation capacities. Unfortunately, KeTTHA and Energy Commission gave many reasons to the former minister to justify "funny" deals related to new generation plant-up methodology and extension of few first generation Independent Power Producers' (IPPs) PPA. A meeting between AWER and Energy Commission on 11th September 2013 only concluded that Energy Commission could have done much more to reduce the impact of generation sector's cost to electricity tariff while federal government is increasing natural gas price to reach market price.

Federal Government's and Energy Commission's Official Publications Outlines Only Competitive Bidding as the Way Forward

"Peninsular Malaysia Electricity Supply Industry Outlook 2013" report by Energy Commission which was published in 2013 outlined competitive bidding as part of key reform initiatives under Malaysia Electricity Supply Industry (MESI) reforms (page 65). Direct negotiation and restricted bidding is not reported as part of plant-up strategy. The MESI reforms workshops carried out by MyPower (a special purpose vehicle by

KeTTHA) never discuss direct negotiation and restricted bidding as a method that will be deployed by Energy Commission and KeTTHA to plant-up new generation capacities.

In addition to that, in the latest "Economic Transformation Programme (ETP) Annual Report 2013" (page 45), KeTTHA Minister, YB Datuk Seri Panglima Dr Maximus Ongkili has reported that, "At the same time, the Government is taking a serious look at the power generation mix in this country as competitive bidding for power plants get underway. ***With clear vision in mind***, the country is primed to get the most efficient and ***value from the energy sector to benefit its main stakeholders - the Rakyat***, for decades to come." The minister did not mention restricted bidding and direct negotiation as part of the plant-up strategy and he also pledged to protect the interest of the rakyat as well.

The mother of all public documents, the 10th Malaysia Plan in page 114 outlines that, "The electricity supply industry will also be restructured to instill greater market discipline. This will involve measures such as creating separate accounting for generation, transmission and distribution activities; transparent and competitive bidding for new generation plants; and the renegotiation of power purchase agreements". This proves the government does not plan to use restricted bidding and direct negotiation as means of planting up new generation capacities.

These are pledges made by government in publicly available official documents. These pledges do not correlate with claims published in Energy Commissions press statement dated 31st May 2014. ***Are Energy Commission and KeTTHA telling the truth?***

Load Shedding is not a Blackout

The load shedding that took place recently was part of emergency response plan to prevent a blackout or total electricity grid failure. Frequent unscheduled outages from power plants were identified as the root cause. Both Jimah and Manjung plants have already received the redesigning orders from Energy Commission and needs to be completed by mid of 2015. Based on technical points, there is no reason to speed up Track 4A via direct negotiation as demand for electricity is well within the projected demand increase between 3% and 4%. The Planning and Implementation Committee for Electricity Supply and Tariff (JPPPET) has also set Loss of Load Equivalent (LOLE) at ≤ 1 day (which is equivalent to 22% reserve margin benchmark to developing economies) compared to earlier status of LOLE < 1 day (which is equivalent to 32% reserve margin) as reported in "Peninsular Malaysia Electricity Supply Industry Outlook 2013" report (page 34). We urge KeTTHA and Energy Commission not to use 1992 Blackout strategy again to 'legalise' direct negotiation for Track 4A. Malaysia is proud to have more engineers and professionals nowadays compared to 1992. Don't belittle their knowledge!

In 2013, JPPPET Has Decided on Track 4A to be Completed by June 2018

The Planning and Implementation Committee for Electricity Supply and Tariff (JPPPET) has already decided to plant-up Track 4A and operate it by June 2018 in last year's JPPPET meeting (earlier plan was to operate Track 4A by year 2020). Track 4A is a combined cycle power plant (CCGT) which takes about 3 years to complete. If transparent competitive bidding process is carried out now and the Notice to Proceed (NTP) is issued by June 2015, there is still sufficient time to construct Track 4A. Therefore, problem of "shortage of time to call for competitive bidding" as claimed by Energy Commission does not exist. Energy Commission and KeTTHA have used the same delay tactic during the renegotiation

of first generation PPAs. The delay in renegotiation eventually led to extension of few first generation PPAs. ***Now, why KeTTHA and Energy Commission wants to offer direct negotiation when they have ample of time to carry out transparent competitive bidding process for Track 4A? Why did Energy Commission and KeTTHA mislead all of us?***

TNB and YTL Should Reflect the Crony Capitalism Issue Raised by Tan Sri Francis Yeoh

Based on clarification issued by YTL Corporation's Managing Director and media reports on CRONY CAPITALISM, it is published and evident that YTL is fully against such despicable and disgusting practice. In view of this recent pledge made by Tan Sri Francis Yeoh himself personally, AWER urges him to instruct YTL Power International Berhad to reject the Track 4A direct negotiation offer by Energy Commission.

There is ample of time to carry out transparent competitive bidding to ensure only equitable and affordable cost is passed to tariff. We also urge Tenaga Nasional Berhad (TNB) to reject the offer given by Energy Commission. As a Government Linked Company (GLC), TNB should participate in transparent competitive bidding process to ensure the Rakyat, businesses and investors have faith in both Economic Transformation Programme and Government Transformation Programme echoed by YAB Prime Minister in Malaysia and abroad.

Similarly, Tan Sri Francis Yeoh should also lead by example and reveal the PPA that YTL signed with TNB to share YTL's "innovative" PPA to all stakeholders including other IPPs, Malaysians and the world. Let all of us witness the TRUTH! This will assist YTL to clear all the bad publicity that it claimed to have received in the past 20 years due to first generation PPA it signed with TNB. We do hope, the other IPPs will also reveal their respective PPAs to prove their innocence. ***Over to you, Tan Sri Francis Yeoh and fellow IPPs!***

'Merchant Plants' Causes Additional Cost to Electricity Tariff

For the knowledge of the rakyat and businesses, there is already a new mechanism being plotted by KeTTHA and Energy Commission to bring in the retired power plants again under the tag of "Merchant Plants". Since these plants do not have PPAs, they are going to pass the risk of operating as a higher levelised tariff to electricity tariff. Ironically, this is against the objective of electricity industry which is to supply electricity at equitable and affordable tariff as well as pledges made in many government reports. Many retired power plants are non-efficient plants which will consume more fuel. This will indirectly add additional burden in the form of tariff to consumers and businesses. Generation cost (69%), Transmission cost (9%) and Distribution cost (21%) are the 3 main costs in electricity tariff. The generation cost is further broken down to fuel cost (41%) and capacity charges (28%). ***Why must Energy Commission and KeTTHA come up with 'funny' methods to milk money from the rakyat and businesses?***

KeTTHA and Energy Commission Must Step Down En Bloc for Failure to Carry Out Transparent Competitive Bidding Process

There is already a 1.6% of levy burden to electricity tariff due to Feed-in-Tariff for renewable energy. Beginning 1st April 2015, Goods and Services Tax (GST) will add another 6% additional charges to the electricity bill of domestic consumers (above 300 kWh/month) and businesses. The government has also pledged to reduce natural gas subsidy for electricity generation and reach market price by 1st January 2016. If natural gas price is periodically increased to reach market price and based on AWER's modelling, the estimated tariff increase are

between 23.75% and 39.33% within 18 months compared to current average tariff (if TNB base tariff and coal price remain unchanged). These are cost that will be passed on to rakyat and businesses via electricity tariff. ***Why should the rakyat and businesses embrace a tougher future if unfair costs (due to direct negotiation, merchant plants, extension of PPAs, etc.) are being passed to electricity tariff?***

AWER warns KeTTHA and Energy Commission not to play delay games and blackout strategy again. Announce transparent competitive bidding process for Track 4A now. KeTTHA and Energy Commission can fool Malaysians once (extension of few first generation PPAs), but repeating it again is undermining Malaysians' mental capacity.

AWER strongly urges the Cabinet, members of Parliament and assemblymen to protect the well being of the rakyat, Malaysia's economy and invertors' confidence. This was the trust given by the Rakyat that voted all of you in. All of you (the Cabinet, members of Parliament and assemblymen) must stop KeTTHA and Energy Commission from carrying out direct negotiation for Track 4A.

KeTTHA's and Energy Commission's senior management, commission chairman and board members as well as the minister of KeTTHA, all of you have two choices:

Choice 1: Carry out transparent competitive bidding process for Track 4A;

Choice 2: Step down immediately due to failure to carry out published pledges and misleading the rakyat, businesses and investors.

Ladies and gentlemen, the choice is yours!

Piarapakaran S.

President

Association of Water and Energy Research Malaysia (AWER)

[GO BACK](#)

Comments (0 Posted)



No Record Found!