

# Food for Thought

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## **TRANSPARENT COMPETITIVE BIDDING IS THE ONLY WAY FORWARD FOR MALAYSIA**

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PRESS RELEASE - 19th JUNE 2014 (THURSDAY)

### **TRANSPARENT COMPETITIVE BIDDING IS THE ONLY WAY FORWARD FOR MALAYSIA**

The withdrawal of YTL Power International from the direct negotiation of Track 4A will push Energy Commission and Ministry of Energy, Green Technology and Water (KeTTHA) to carry out transparent competitive bidding. Association of Water and Energy Research Malaysia (AWER) would like to reiterate that the reduction in cost of planting up a power plant only can be achieved via transparent competitive bidding process. This savings is a direct benefit to the rakyat, businesses and investors as only equitable and affordable tariff will be passed through.

The transparent competitive bidding process needs to identify the most efficient technology that has proven operating track record with the lowest levelised tariff. The most efficient technology will allow power generation plants to produce higher output of electricity with lower input of fuel. This will directly reduce the fuel cost impact to the tariff. Fuel cost (41%) is the highest component to electricity tariff followed by capacity charges (28%).

Based on the latest development, there is still sufficient time to construct Track 4A via transparent competitive bidding process. Track 4A is a combined cycle power plant (CCGT) which takes about 3 years (32 months to 36 months) to complete. Energy Commission must carry out transparent competitive bidding process now and the Notice to Proceed (NTP) must issued by June 2015.

AWER will monitor all the competitive bidding processes closely to ensure the criteria set for the bidding process pushes the cost of the project

lower which enables a lower levelised tariff. We would also urge all the members of Parliament to closely monitor these processes and Public Accounts Committee (PAC) of the Parliament should take a lead role in this.

As an **EARLY REMINDER** to Energy Commission and KeTTHA, there is an immediate need to start planning to replace the expiring second generation Power Purchase Agreements (PPAs). Second generation Independent Power Producers (IPPs) which are running gas power plants will be expiring their respective PPAs as below:

- I. Pahlawan Power Sdn Bhd (322 MW / August 2020),
- II. GB3 Sdn Bhd (640 MW / December 2022),
- III. Panglima Power Sdn Bhd (720 MW / February 2023),
- IV. Teknologi Tenaga Perlis Consortium Sdn Bhd (650 MW / March 2024),
- V. Prai Power Sdn Bhd (350 MW / June 2024).

Based on AWER's meeting with Energy Commission on 11th September 2013, Energy Commission pledged that there will be **NO RENEGOTIATION for second generation PPAs and TRANSPARENT COMPETITIVE BIDDING process will be implemented** to replace the retiring capacities. The retiring plants that needs to be replaced amounts to 2682 MW (Mega Watt) of capacity. **There should not be any reason of "INSUFFICIENT TIME"** to divert from transparent open bidding process.

The Track 4A issue showed a stronger voice from all stakeholders to ensure only equitable and affordable cost from generation sector is passed through to electricity tariff. With increase in natural gas price for electricity generation sector to reach market price by 1st January 2016, transparent competitive bidding is the only way forward. Track 4A is just one power plant; there are more to come and all of us need to monitor the bidding processes closely as once a PPA is signed, we will be stuck with the cost for more than 2 decades.

Prevention is better than cure!

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President

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