

Food for Thought

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TANJUNG BIN ENERGY AND JIMAH EAST POWER - WHO DELAYS AND WHO PAYS?

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TANJUNG BIN ENERGY AND JIMAH EAST POWER - WHO DELAYS AND WHO PAYS?

Association of Water and Energy Research Malaysia (AWER) urges Energy Commission and Ministry of Energy, Green Technology and Water (KeTTHA) to **reevaluate the penalty imposed on delays for power plant construction projects**. At the moment, both Tanjung Bin 1000 MW (scheduled completion on 1st March 2016) and Jimah East (scheduled completion first unit on 15th November 2018 and second unit on 15th May 2019) is seeking extension.

These new coal plants (Tanjung Bin and Jimah East) are efficient plants which will reduce impact of the fuel cost component to the electricity tariff. Delays in completion of these new coal plants will cause extension of old gas plants which are about to retire or have retired. If the old gas plants are generating electricity at average efficiency below 30% compared to the new coal plants that are suppose to generate electricity at 55% efficiency, the additional fuel cost and capacity charges that will be passed on to consumers are substantially high. Based on Energy Malaysia magazine (volume 2, 2014) published by Energy Commission, 41% of latest average tariff (38.53 cents/kWh) comprises of fuel cost. Therefore, impact of fuel cost to electricity tariff is significantly high. Unfortunately, the penalty for delay in project completion is capped at RM 108 million for every 1000MW (MegaWatt). **Who is going to pay for the rest of the cost?**

The piped gas price review has been loosely set at RM 3.00 per mmBTU every 6 months. If we take this as basis of calculation (conservative estimation), the piped gas price is estimated at RM 21.20 per mmBTU during the delay of Tanjung Bin construction. Tanjung Bin power plant is expecting 6 to 12 months delay. Based on this gas price and operation of inefficient gas power plant that will be extended, the additional fuel

cost that will be passed to tariff for a 6 month delay is about RM 321.97 million and for a 1 year delay can be around RM 643.94 million for 1000MW.

This additional cost is derived after deducting the fuel cost that will be incurred when the efficient coal power plant is operating according to schedule. If LNG (Liquefied Natural Gas) price is prorated to the gas pricing, the impact to fuel cost is 1.48 times higher (additional fuel cost is RM 955.24 millions). This estimation does not include the capacity charges that will be imposed by the inefficient gas power plants that are expected to be extended.

In addition to that, if fuel price between 2018 and 2019 is set to be higher, the delay in completion of Jimah East power plant definitely will pass a higher cost to tariff as Jimah East power plant is having 2000MW generation capacity. If those who got lucrative Power Purchase Agreement can runaway with RM 108 million penalty per 1000MW and the rest of the additional cost (fuel cost and capacity charges) is passed to electricity tariff, Energy Commission and KeTTHA will set a very bad precedence in the electricity market. This unfair cost is again charged with Goods and Services Tax (GST) of 6% or higher and Feed-in-Tariff levy of 1.6%. ***Why should the domestic consumers and businesses pay a higher tariff due to construction delay by Tanjung Bin and Jimah East?***

AWER strongly urges Energy Commission and KeTTHA to make both Tanjung Bin and Jimah East to take full responsibility and pay for all the additional cost (fuel cost and capacity charges) that will be incurred due to delay of the respective power plant completion. We also urge the members of public and business to reject any attempt to pass the additional cost to the electricity tariff.

Let's teach those who want to operate power plants in Malaysia how to do a legitimate business ethically. There should not be any room for back door cowards!

Piarapakaran S.

President

Association of Water and Energy Research Malaysia (AWER)

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