

Food for Thought

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TANJUNG BIN AND JIMAH EAST POWER PLANT: ENERGY COMMISSION MUST BE TRANSPARENT

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TANJUNG BIN AND JIMAH EAST POWER PLANT: ENERGY COMMISSION MUST BE TRANSPARENT

Association of Water and Energy Research Malaysia (AWER) has raised the issues surrounding both Tanjung Bin and Jimah East since fourth quarter of 2014. The situation is only going murkier with Energy Commission playing the twisting drama! In a written reply to Parliament last week, the Minister of Energy, Green Technology and Water mentioned several reasons which may delay power plant construction and government has to consider these reasons in its decision making. AWER rejects this explanation as it is not the duty of the government to kowtow to lame excuses. Any project owner must ensure the project is completed within stipulated time and if any delay occurs, they have to pump in resources in terms of financial, technology and human capitals to ensure the project is completed in time. Any agreement signed should not be given extension!

1. MALAKOFF'S 1000 MW TANJUNG BIN COAL POWER PLANT PROJECT

Last week, Malakoff has issued a statement that there is no delay in Tanjung Bin coal power plant project and any news referring to the possible delay in construction is untrue, misleading and do not present the current situation. However, based on documentations in Energy Commission, Malakoff has been seeking for an extension for this power plant project since third quarter of 2014 and Energy Commission has sent a letter to Tenaga Nasional Berhad (TNB) early this year (2015) seeking an extension for the completion date of Tanjung Bin power plant.

Malakoff should know better exactly how many months that was mentioned in the letter. Now, Malakoff has issued a statement that there is no delay in Tanjung Bin coal power plant project but this latest development has prompted the next 2 questions:

- i. If the construction problems can be solved within months, why was Malakoff continuously seeking for an extension until early this year?
- ii. Did Energy Commission fail to update itself on the latest development of the project and eventually wrote a letter to TNB to seek for extension?

Energy Commission must answer the 2 questions above. ***Energy Commission must also investigate, certify and guarantee that Tanjung Bin 1000 MW power plant has solved its construction problem and definitely no delay will occur.*** This also means that there is no need to extend any retiring old gas power plants.

2. 1MDB'S 2000 MW JIMAH EAST COAL POWER PLANT PROJECT

The written reply given by Minister of Energy, Green Technology and Water to Parliament last week as well as the 'U-turn' in sale of 1MDB's energy assets does not make any changes to the suggestions given by AWER to prevent Jimah East Delay. If there were to be delay for this power plant by 6 months, an additional 1.33 cents/kWh increase in average electricity tariff can be observed due to additional fuel cost. This additional cost is not inclusive of capacity charges. AWER's suggestions to the government are as following:

(i) Cancel Jimah East and Track 4B (2000 MW Malacca CCGT)

Based on news reports, Jimah East has time until mid of April to complete its financial close for the project. Energy Commission is duty bound to ensure electricity supply security and reject the Jimah East extension application as well as cancel the award of Jimah East to 1MDB if Jimah East fails to meet the financial close requirement by mid of April as stipulated in Section 4(f) of Electricity Supply Act and the PPA. By then, a competitive bidding for Combined Cycle Gas Turbine (CCGT) must be announced and a Notice to Proceed (NTP) can be issued by April 2016. CCGT takes between 32 to 36 months to complete. The 4 months buffer makes CCGT an immediate replacement for coal powered Jimah East.

In addition to that, Track 4B (2000 MW Malacca CCGT) that was awarded to 1MDB via direct negotiation in late 2014 must be canceled also due to gross violation of Energy Commission Act and Electricity Supply Act. There is ample of time to carry out competitive bidding for Track 4B because the project was awarded 7 years ahead of its completion date. This project must be canceled and be converted to 2000 MW coal power plant competitive bidding that can be announced by mid of 2015. By doing this, the energy mix of electricity generation will be maintained as planned.

(ii) Equity Sales of Jimah East - New Owner Needs To Pay Additional Cost

There have been reports that Jimah East is looking at equity sales to another entity either to raise funds or total exit from the coal power plant project. Whatever the proposal is, the new owner will still have to bear any additional cost incurred due to delay in construction of Jimah East.

This is because the new owner definitely have done the cost benefit analysis over the project before decides to buy the equity. Jimah East has a valid PPA and the levelised tariff of 25.33 cents/kWh cannot be revised upward for the new owner. However, AWER would not stop the new owner to reduce the levelised tariff to a much lower value for the benefit of the nation and the people.

3. EXTENSION OF OLD AND INEFFICIENT POWER PLANTS

Lately, Energy Commission has given statements to the media to justify that extension of old power plants are more cost effective. Let's dissect this pure lie!

Based on media statement released by Energy Commission on 9th October 2012, the levelised tariff of new power plant and extended old plants are as below:

No.	Successful bidder	Plant status	Levelised tariff (cents/kWh)	Extension duration (years)	Capacity (MegaWatt/MW)
1	Tenaga Nasional Bhd (TNB Prai Plant)	New	34.7	-	1,071
2	Genting Sanyen Power (first generation IPP)	Old	35.3	10	675
3	Segari Energy Ventures (first generation IPP)	Old	36.3	10	1,303
4	TNB Pasir Gudang	Old	37.4	5	275

Therefore, it is obvious that the old gas plants with lower generation efficiency (as low as 30%) that were extended by Energy Commission have higher levelised tariff compared to the new TNB Prai Plant which can reach close to 60% generation efficiency.

Besides this, based on the latest average tariff, 36.80% is fuel cost and 29.74% is capacity charges. Therefore, running newer and efficient power plants will pass savings in both fuel cost and capacity charges which eventually will be translated into a more affordable electricity tariff. Unfortunately, this fact (running newer and efficient power plants will pass savings in both fuel cost and capacity charges) has been twisted by Energy Commission by saying running old gas plants will keep electricity tariff affordable. Why Energy Commission has to twist the fact? Is Energy Commission worried sick that the retiring power plants' owner will lose income, a lucrative one?

Based on latest statement issued by Malakoff that there will be no delay in Tanjung Bin power plant and solutions outlined by AWER for Jimah East, there is no need to extend the retiring old gas power plants at all. We all can say "sayonara" to these old gas power plants happily!

For your attention, all additional and unfair cost in electricity tariff will also be charged with 6% goods and services tax (GST) beginning 1st April 2015. It is only exempted for domestic consumers with monthly electricity consumption below 300kWh (kilo.Watt.hour).

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[GO BACK](#)

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