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Energy forum: Energy, Green Technology and Water Ministry secretary-general Datuk Seri Dr Zaini Ujang (right) sharing a light moment with Malakoff Bhd managing director Datuk Wira Azhar Abdul Hamid (left) and Abdul Razak at the opening ceremony of the 7th National Energy Forum.

EC: Competitive pricing still the rule

But there will be instances where projects are awarded on direct negotiation basis

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KUALA LUMPUR: Competitive pricing is still the rule of the game when it comes to awarding new power plant projects in Malaysia.

According to the Energy Commission (EC), which has come under criticism following the award of several power plant projects without tender, while the competitive bidding process is still its preferred method of procurement to ensure the least-cost option to the system, there will be instances where projects are awarded on a direct negotiation basis if it is the Government's decision.

In such cases, the energy sector regulator stressed, it would set stringent requirements on the appointed companies to ensure that the ultimate objective of the competitive pricing for

electricity supply in the country is not compromised.

"We still want to have competitive bidding for new projects as and when there is a capacity requirement," EC chairman Datuk Abdul Razak Majid said.

"But while (in some cases) we may not go for a competitive bidding process if it is the Government's decision, we will still want to make sure that we have competitive pricing ... we will put in the condition that the prices offered are competitive," he told *StarBiz* after a briefing at the 7th National Energy Forum.

When asked what was the benchmark tariff for the competitive pricing of electricity generation in the country, Abdul Razak pointed to the rate paid to the last completed gas-fired power plant, that is, the 1,000-MW Prai plant, which was also the first power plant project ever awarded

through tender in the country.

It was won by Tenaga Nasional Bhd (TNB) in 2012 at a tariff of 34.7 sen per kWh.

"That will be the reference price; but we also need to make adjustments for changes in foreign exchange rates and economic assumptions," Abdul Razak explained.

As for the appointment of companies with no experience in electricity generation, such as in the case of Tadmax Resources Bhd, Abdul Razak reiterated that the EC would impose the condition of having them partner with companies that have expertise in the industry. This would ensure proper execution of the projects, and ensure quality and sustainability of new power supply to the system.

Tadmax, which has no experience in the

> TURN TO PAGE 2

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Dual system in awarding projects a common practice

> FROM PAGE 1

power sector, is required to team up with TNB to develop its recently awarded project to develop a new 1,000MW combined cycle gas turbine (CCGT) power plant in Pulau Indah, Selangor. Tadmax was awarded the project last month without an open tender by the Government.

It was the third project awarded on a non-competitive or direct-negotiation basis since the launch of the reform initiatives for the Malaysian Electricity Supply Industry (MESI) in 2010. Among the key initiatives was the implementation of a competitive open

tender process for new power plant projects in the country.

But in March 2014, the industry saw the award of the controversial 2,000MW gas-fired power plant, code-named Project 3B in Jimah, Port Dickson, to 1Malaysia Development Bhd (1MDB). But the project has since 2015 been taken over by TNB after the state investment fund ran into financial difficulties.

Then in June 2014, the 1,440MW CCGT power plant, code-named Project 4A, in Pasir Gudang, Johor, was awarded directly to the consortium comprising TNB, the Johor Sultan's private vehicle SIPP Energy Sdn Bhd and YTL Power International Bhd. But YTL

Power subsequently pulled out of the consortium because of the misconception on the way the project was awarded. TNB also pulled out thereafter.

Meanwhile, EC chief executive officer Datuk Ahmad Fauzi Hasan said having a dual system in awarding new power plant projects – which is a common practice in many countries – was not necessarily a bad thing.

“As far as we are concerned, the competitive bidding process is the way forward; but there are different ways to achieve competitive pricing (for energy supply),” Ahmad Fauzi said.

“The Government has to take into consider-

ation various factors that affect national interest when awarding such projects,” he added.

In justifying the award of the Pulau Indah power plant project to Tadmax, the Energy, Green Technology and Water Ministry said the company had land that was ideal for the project.

Taking into consideration that 45% of the country's electricity demand is in the Klang Valley, the new power plant has to be developed in close proximity to the load centres to reduce overdependency on the power plants in the northern and southern regions of the peninsula in providing electricity to consumers in the Klang Valley, the ministry said.