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JUDGING by the number of power plant and renewable energy (RE) projects that have been awarded in the last six months, it could be only a matter of time before the country is saddled with too much power-generation capacity.

Making matters worse is the slew of independent power producer (IPP) licences that have been given out on a non-competitive or direct-negotiation basis, prompting many unsolicited bids.

According to an industry official, power demand growth has been flat, while new power plants are being approved.

"Based on previous trends, electricity demand grows after the Chinese New Year period, but it was not the case this time. The fear is that there is too much supply coming onstream without being accompanied by demand," the official says.

According to Tenaga Nasional Bhd (TNB), electricity demand growth was at 4% in the financial period ended Aug 31, 2016. Last April, electricity usage in Peninsular Malaysia hit an all-time high of 17,788MW due to higher consumer demand arising from the heatwave.

It did not provide a projection for the current year, but said that demand is expected to increase in tandem with the country's economic growth of between 4% and 5%.

More than 8,000MW power capacity is in the process of planting up. TNB completed and commissioned the 1,000MW coal-fired power plant (Manjung 4) in April 2015 and the 1,071MW gas-fired project in Prai in February 2016. There is some 6,000MW of power capacity underway.

On top of that, there are also new large solar farms to be commissioned in the near term.

To be fair, Malaysia's power sector had not seen any increase in installed capacity for about six years until recently. Additionally, some power plants no longer export power to the grid, following the expiry of the first-generation power purchase agreements (PPAs).

### Single buyer rules

The single buyer department was established in September 2012 and authorised by the Energy Commission to be responsible for the management of electricity procurement and related services.

The department, a ring-fenced arm operating independently within TNB that determines how much each power plant will generate on a day-to-day basis, is headed by Charanjit Singh Gill.

Prior to the establishment of the department, the energy procurement functions

# Oversupply of energy?

## While demand growth is flat, new power plants are approved



**Power to the sun:** The Energy, Green Technology and Water Ministry wants to develop more large solar power plants this year.

were embedded in TNB.

One of the department's main responsibilities is to procure electricity from IPPs and TNB to meet demand at the least cost.

To the delight of industry observers, some plans are already in place to strengthen the energy sector.

The new enhanced dispatch arrangement (Neda) was introduced in October 2015 and is managed by the department. It is designed to enhance cost efficiency of the single buyer market through short daily competition. Neda opens the door for IPPs to supply power to the grid without a PPA.

Already, there have been some positive developments in Malaysia's power sector.

A notable change is the introduction of an international competitive bidding process for the construction of a new gas-fired power plant of 1,000MW to 1,400MW capacity in Prai, as well as the calling for a competitive restricted bidding exercise among the

first-generation IPPs and TNB's ageing plants.

This, however, did not last long, as the Government has been awarding power plants without calling for a tender in recent times. Industry observers stress that competitive bidding is necessary to ensure transparency and efficiency in procuring future power-generation capacity.

### Planting up

So far, all the utility-scale solar power plants awarded have been done via direct negotiations, a precedent set by the award of the past few power plants.

In contrast, the Sustainable Energy Development Authority (Seda) conducts e-bidding for solar or other RE sources for households and small-scale installations for the feed-in-tariff quotas.

Seda has been cut off from the process of awarding these contracts, although the statu-

tory body is empowered to promote the deployment of sustainable energy measures as part of the solutions towards achieving energy security.

Last November, TNB signed three PPAs with a consortium of three companies – ItraMAS Technology Sdn Bhd, Maltech Pro and Cam-Lite Sdn Bhd – for the supply of 150MW of solar power.

The solar panels that will be built by this consortium will be located in Jasin, Malacca; Gurun, Kedah; and Merchang, Terengganu.

The PPAs were signed between TNB and Quantum Solar Park (Malacca) Sdn Bhd, Quantum Solar Park (Kedah) Sdn Bhd and Quantum Solar Park (Terengganu) Sdn Bhd.

The Energy, Green Technology and Water Ministry had at the beginning of last year said it wanted to develop more large solar power plants this year.

This award comes after a request for proposal for a 250MW power plant was issued earlier this year, and it is expected that the capacity of the plants will come on stream from 2018.

In April 2014, 1Malaysia Development Bhd (1MDB) announced that it had signed a 25-year PPA with TNB to buy power to be generated by 1MDB Solar Sdn Bhd's solar photovoltaic (solar PV) plant in Kedah.

The rates for these solar power plants are not known.

To recap, Tadmax Resources Bhd was directly awarded a 1,000MW combined cycle gas turbine (CCGT) plant on its Pulau Indah land in August 2016. The award raised questions, as Tadmax had no track record in developing power plants. Furthermore, it was awarded without an open tender by the Government.

The Tadmax contract was the third to be awarded on a non-competitive or direct-negotiation basis after the controversial 2,000MW gas-fired power plant code-named Project 3B in Jimah, Port Dickson to 1MDB. The project has since 2015 been taken over by TNB.

There is also the 1,100MW-1,400MW CCGT power plant code-named Project 4A in Pasir Gudang, Johor, 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 about the way the project was awarded. TNB also pulled out soon after.