

FOR IMMEDIATE RELEASE

MEDIA RELEASE

ST INTRODUCES NEDA TO ENSURE COST EFFECTIVE POWER GENERATION

Putrajaya, 29 September 2015 --- The Energy Commission (Suruhanjaya Tenaga - ST) today launched New Enhanced Dispatch Arrangement (NEDA) to provide opportunity for the power sector to improve its efficiency and be more cost effective in generating electricity.. The new practice could potentially save power production cost and benefit consumers in the long run.

NEDA introduces short run competition in daily generation dispatch among Independent Power Producers (IPPs) with Power Purchase Agreement (PPA), TNB generation with Service Level Agreement (SLA) beginning 1 October 2015, and for merchant generators which do not have PPA. NEDA will be fully implemented by first quarter of 2016.

NEDA is a step up from the current competitive bidding process introduced since 2012 by ST for new generation capacity with long term PPA. The introduction of NEDA will ensure sufficient firm capacity at the most competitive price for consumers and establish a positive market for investment.

“Since the PPA is a long term contract, we need to further improve the industry’s generation efficiency in a short run by introducing competition in daily generation dispatch”, says Dato’ Abdul Razak bin Abdul Majid, Chairman of ST.

“We have conducted a series of engagements and consultation with the industry players and key stakeholders on the concept of enhancing daily competition in generation dispatch”, he says.

He adds, “NEDA will incentivise the PPA and SLA generators to be more cost-efficient in their operation by rewarding the efficient plants with more energy dispatch and hence

more revenues, and provide opportunity for merchant plants such as co-generators to sell energy at competitive prices”.

On the cost saving aspects of NEDA, Dato’ Abdul Razak says from ST study, if NEDA is implemented effectively, the potential financial saving in generation cost, and hence tariff for the consumers, can be in tens to hundreds of million ringgits. This savings will be reflected in economic saving for the country.

“For example, a mere one percent improvement in generation efficiency, will enable a saving of about RM150 million a year in fuel cost based on the current market fuel prices. The financial benefits will definitely surpass any little effort and investment that was required if to ensure a fully open and competitive market.”

The saving generated through NEDA comes from the daily bidding process where Generators with PPA or SLA bid their variable costs (fuel cost and operation and maintenance cost). By offering heat rates and variable operating rates (VOR) lower than the rates in the PPA or SLA, the generators are able to compete for more dispatch and increase their revenues. However, as a transition arrangement NEDA starts with the offers on VOR.

“The resulting System Marginal Price (SMP) and therefore the production cost of electricity will be lower. This will translate to lower electricity tariffs and reduced fuel costs and later resulted into a more positive impact on the Malaysian economy”, Dato’ Abdul Razak concludes.

ST has directed the Single Buyer to prepare the Supplemental Agreement (SA) between the IPPs, TNB generation and TNB (the off-takers). The SA, as the name implies, is supplemental to the existing PPAs/SLAs allowing IPPs and TNB generation to offer and the Single Buyer to accept the alternative VOR.

The transition period for NEDA is from 1 October 2015 and the full implementation by first quarter of 2016. During this transition period, ST will monitor closely the daily operation of NEDA and the progress of Single Buyer (SB) and Grid System Operator (GSO) in the preparation for the full implementation of NEDA.

*****Ends*****

For further enquiries, please contact:

*Siti Suhaila bt. Ahmad / Noor Haniza bt Noordin
Promotions & Communications Unit
Tel: +603 8870 8554/ +603 8870 8661 Fax: +603 8888 8636
Email: sitisuhaila@st.gov.my / haniza@st.gov.my*

ABOUT SURUHANJAYA TENAGA (ST) /THE ENERGY COMMISSION

Energy Commission was established under the Energy Commission Act 2001 on 1st May 2001 and became fully operational on 2nd January 2002. The Commission is responsible to regulate the energy supply activities, enforce the energy supply laws and promote further development of the energy industry. The Energy Commission comprises of Chairman, Chief Executive Officer and nine other members.

Glossary:

English	Bahasa Malaysia
New Enhanced Dispatch Arrangement	Susunan Penghantaran Baru Yang Dipertingkatkan
Power Purchase Agreement	Perjanjian Pembelian Kuasa
Service Level Agreement	Perjanjian Tahap Perkhidmatan
System Marginal Price	System Harga Marginal
Variable operating rates	Kadar operasi berubah-ubah