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Malaysia's 1992 blackout

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Due to this historic nationwide outage, the then govt introduced the IPPs — a move that reportedly upset all the big players in the power sector

REVISIT

by AKMAR ANNUAR

NINE states went powerless for nearly two days in 1992, in what was the worst power outage in the country.

Around 3pm on Sept 29, 1992, a bolt of lightning during a thunderstorm struck a grid comprising four power lines between Paka and Teluk Kalong in Terengganu, causing massive power failure and affecting the transmission and distribution system.

The then Prime Minister Tun Dr Mahathir Mohamad immediately instructed Tenaga Nasional Bhd (TNB) to investigate and rectify the issue.

The national electric utility company managed to fix its protection system in the power transmission system and used its allocation of 10% spare capacity in its power generation system at the time.

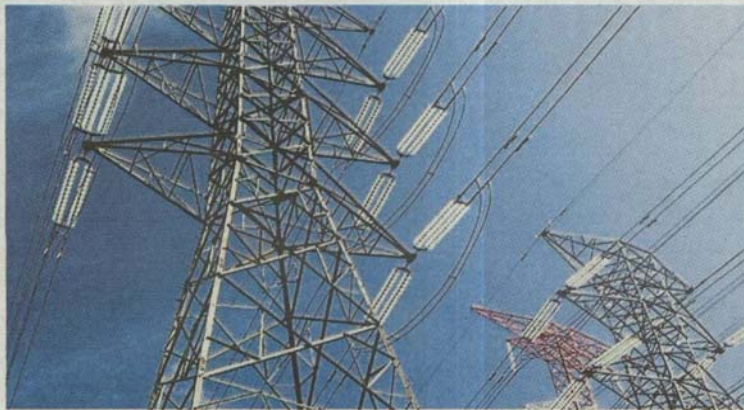
In retrospect, train station officer Siti Hamidah Mat Saad recalled her mother being hugely distressed as their house ran out of candles when the blackout happened.

"My mother asked us to go out and find the candles quickly. Out we went but after making rounds at the convenience stores nearby, we came back empty-handed," she shared with *The Malaysian Reserve (TMR)*.

She said all the candles were sold out and her family had to spend the night in darkness.

Similarly, 79-year-old home-maker Kalsom Ismail also recalled candles running out of stock.

"My youngest daughter had to do her homework with very minimal light at night, with any bit of candles we had left and it pained me to see her struggling to write and erase and write again,"



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On the repercussions of IPPs and the power struggle, Ani says people had to suffer high tariff and electricity bills

Kalsom told *TMR*.

No doubt, the power outage also caused disruptions in businesses.

Persatuan Seni Ceritera chairman Sheikh Shuhaimi Sheikh Abdul Rahim was helping at his mother's food stall when suddenly they were in total darkness.

"We thought it was just going to be a few minutes but it was longer than that," he said, adding that in 1992, news travelled slowly.

He said after half an hour of still

darkness, they had to pack up and go back to an even darker home.

Power was restored six to 10 hours later in most states.

Former business development manager and Petroliaam Nasional Bhd (Petronas) alumni Mohd Nor Azizi said in light of that blackout, the country witnessed some serious economic implications.

"In my opinion, the government's actions post-blackout in 1992 stirred up a scandal as

some saw it as favourable to some companies at the expense of Petronas, subsequently the country," he said.

Due to this historic nationwide power outage, the then government introduced Independent Power Producers (IPPs) in the generation and power sector to overcome electricity shortage issues, enlarge energy reserve margin and to introduce competition bidding among the generators.

This move had reportedly upset all the big players in the power sector, especially TNB.

As the plan continued, TNB remained a monopoly in transmission and distribution, but in generation, several new IPPs have been licensed with the former re-emerging as the dominant player.

According to previous reports, TNB suffered massive profit erosion as a result of its payouts to IPPs based on a monthly rate regardless of electricity usage.

This was based on the initial IPPs that were awarded licences to pursue the IPP model under Power Purchase Agreement (PPA) that would span up to 21 years.

Not staying silent, in early 2000s, former TNB CEO Tan Sri Ani Arope mentioned this IPP in his memoir.

He wrote in the book that the Economic Planning Unit (EPU),

forced TNB to hand over land in Paka and Pasir Gudang, Johor, to third parties to construct power plants.

"TNB had plans in place to pump out more energy by building plants in Pasir Gudang and Paka. Financing was no problem and our credit standing was very high. We had the land acquired and were ready to move in and plant up," the book revealed.

However, Ani claimed that TNB was told by the EPU that it had its own plans.

"We warned EPU that if those plants were not built soon, the nation would get another major blackout," he said.

He added that with 250 engineers in place, it would not make sense that the blackout was a result of poor planning.

Further in the memoir, he said the 1992 blackout need not have occurred as TNB had already made plans to expand capacity to meet future demand.

On the repercussions of IPPs and the power struggle, literally and figuratively, Ani said people had to suffer high tariff and electricity bills.

"Just imagine, TNB produced energy at eight sen per unit (kwh) and could deliver electricity at 17 sen per unit.

"After the event, however, IPPs produced electricity at 23 sen per unit, causing TNB to charge the consumer at no less than 30 sen per unit," he said.

Ani resigned shortly after the incident.

Based on Petronas' 2008 annual report, the IPPs received gas subsidies amounting to RM8.1 billion, while TNB received RM5.7 billion.

On a positive outlook, over time, the privatisation of the power generation sector led to a significant increase in Malay participation in the modern sector, according to research by *Malaysian Journal of Economic Studies* in 2022.

It said the share of power plants owned and managed by Malays is around 85%, well above the 30% target set for Malay participation in the modern business sector.

"However, the number of entities which have benefited from the award of IPP licences is very few," it wrote.