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The lowest bid isn`t necessarily the best

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The Energy Commission (EC) has the benefit of hindsight by now after the many rounds of bidding undertaken for the country's Large Scale Solar (LSS) programme.

As the commission opens the bidding process for the latest cycle of the LSS — its fifth — it has borne witness to how previous bids were conducted and should not repeat the same mistake when awarding the various packages.

That is what happened to LSS4, which saw 30 winning bidders in total, comprising 10 projects of 50MW each and 20 projects of between 10MW and 29.99MW.

In February, however, Deputy Prime Minister Datuk Seri Fadillah Yusof was quoted as saying that more than two-thirds of LSS capacity awarded under LSS4 in 2021 had missed the end-2023 commercial operation date (COD).

The increased cost of materials and equipment, the rise in interest rates and foreign exchange fluctuations post-Covid-19 were among the reasons that contributed to the COD delays. In fact, some of the LSS4 project owners were caught unawares by the increased price of solar modules, partly attributed to disruptions in the global supply chain, raising concerns over their ability to recoup their investments.

It is, therefore, hoped that when the EC chooses a contractor for LSS5, it takes into account factors such as the experience — along with the technical and financial capabilities — of the bidders, and not just the lowest bid. That is because while selecting the lowest bid may save one money at the beginning, the cost may be higher in the long term.

And if the bidder has missed out on something altogether or excluded some items to offer a lower price, the project is likely to end up overbudget and behind schedule, and that will further hinder the government's ongoing efforts to achieve its target of 70% renewable energy installed capacity and carbon neutrality by 2050.