Ramping up solar energy’s capacity

SEDA INSUFFICIENT: 1MDB, TNB mulling over creation of Malaysia’s largest plant in Kedah, say sources

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MALAYSIA Development Bhd (1MDB) and Tenaga Nasional Bhd (TNB) are in talks to jointly develop the country’s largest solar power plant, sources said.

They said 1MDB has proposed to build the plant with a 50-megawatt (MW) capacity in Kedah.

The plant, which could cost nearly RM1 billion, will also be the largest non-hydro renewable energy (RE) plant in Malaysia.

1MDB is expected to be the majority shareholder in the joint venture, the sources said, adding that the project would likely be the start of a larger expansion in domestic solar generation in the future.

“This potential 1MDB-TNB partnership is a first in the local solar energy segment, and perhaps the whole RE sector,” a source remarked.

Renewables are targeted to be a key component in the country’s energy mix, and the current Sustainable Energy Development Authority (Seda) system is not likely to be sufficient to hit the national targets, the source added.

Malaysia wants RE to account for 2,080MW, or 11 per cent, of the total capacity mix by 2020. To date, only 537.97MW of RE generation capacity has been approved, which is roughly only two per cent of the total targeted capacity mix.

“The Seda projections are not sufficient to hit these ambitious national targets by itself,” another source said.

The scale of the 1MDB-TNB proposal is “too large” for open bidding, the source said, dismissing the notion that the project would crowd out TNB and other smaller solar power players.

The Seda Feed-in-Tariff (FIT) bidding system only allows for a maximum of up to 30MW RE projects and currently, only up to 1MW for solar.

The sources said renewables are expensive and infrastructure-heavy, making it difficult for the private sector to get started in a big way. Therefore, a partnership between government-owned entity like 1MDB and national utility TNB is reasonable to kick-start a large-scale renewable programme.

“The 1MDB-TNB solar project is much larger and therefore had to be proposed outside of the Seda bidding system. There is no other company that had proposed a solar project of this size previously,” the source noted.

It is learnt that 1MDB has proposed a rate of between 40 sen and 46 sen per kilowatt-hour (kWh), which will make it the lowest price for any solar-generated electricity in Malaysia.

The current Seda rate is 61.2 sen per kWh. The price for electricity generated from the proposed solar plant will be fixed for 25 years, the sources said, adding that as the plant is not affected by gas or coal price fluctuations, its price will not rise throughout its lifespan.