

Headline	Fadillah says no more time extensions for delayed LSS4 projects		
MediaTitle	The Edge		
Date	12 Feb 2024	Language	English
Circulation	25,910	Readership	77,730
Section	Corporate	Page No	12
ArticleSize	919 cm ²	Journalist	ADAM AZIZ
PR Value	RM 47,469		

Fadillah says no more time extensions for delayed LSS4 projects

BY ADAM AZIZ

More than two-thirds of large-scale solar capacity awarded under the 2021 awards (LSS4) have missed the end-2023 commercial operation date (COD). A number of solar power developers are seeking extensions to the COD of their LSS4 projects, in light of sizable compensation charges of RM5,000 per megawatt (MW) per day for up to six months.

However, the Ministry of Energy Transition and Water Transformation (Petra) tells *The Edge* that the government does not intend to grant a second extension.

"The ministry is of the view that extension of time (EOT) should not be given to the LSS4 developers that have been unable to comply with the COD requirement," says Deputy Prime Minister Datuk Seri Fadillah Yusof, who is also Petra minister, in his reply to *The Edge's* query on whether the government is considering another extension.

The LSS4 projects' daily compensation for delayed COD would range from RM50,000 to RM250,000, based on the awarded capacity of between 10MW and 50MW per project.

For previous LSS awards, there has been enforcement of liquidated ascertained damages, with some players having to pay several million ringgit as a result of COD delays.

Fadillah stresses that the government had already allowed variations to the contract terms of the LSS4 projects during the pandemic when things were tough.

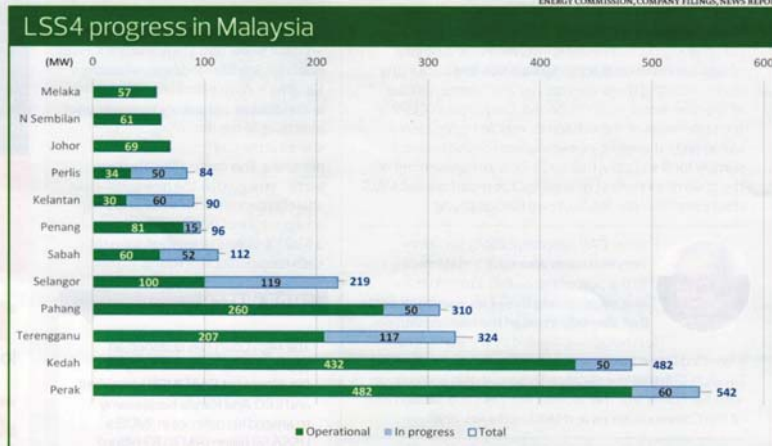
"Taking into consideration the challenges faced after the Covid-19 global pandemic, the government has extended the COD deadline for LSS4 players to Dec 31, 2023 (the initial COD varies from middle of 2023 to end of 2023) and has approved four additional years of power purchase agreement (PPA) period (PPA period increased from 21 to 25 years).

"The extension was granted in 2022 as an effort to ease the challenges faced by all LSS4 players to ensure timely COD and that the projects remain viable financially," he says.

"The ultimate commissioning date for all LSS4 plants was set for Dec 31, 2023 regardless of any earlier proposed dates by the LSS players during the bidding submission.

"This is consistent with the government's policy and practice in the past, and I do not foresee any further changes," adds Fadillah.

"This is to ensure fairness within the industry as well as among the LSS players. The new solar capacity from LSS4 is still expected to contribute towards the needed additional RE (renewable ener-



Fadillah: This is to ensure fairness within the industry as well as among the LSS players

gy) capacity despite the project delays."

The LSS4 programme saw 30 winning bidders in total, comprising 10 projects of 50MW each, and 20 projects of between 10MW and 29.99MW.

Channel checks found that about a third of the LSS4's entire awarded capacity of 823MW has yet to come online. Among those who have achieved COD, several of have missed the end-2023 deadline by between several days and a month.

At least two developers — Gopeng Bhd, which has a 50MW LSS in Gopeng, Perak and Sharp Ventures Sdn Bhd, with a 50MW LSS in Klang, Selangor — had officially made a request to the Energy Commission (EC) for the extension prior to this. It is understood that at least eight companies are seeking extensions.

Among companies that have completed their LSS4 projects are MK Land Holdings Bhd in Kerian, Perak in August 2023 (10.95MW), JAKS Resources Bhd in Nibong Tebal, Penang in August 2023 (50MW), Tenaga Nasional Bhd's second LSS in Bukit Selambau, Kedah in December 2023 (50MW), Solarvest

COMPANY	MW	COD ACHIEVED
JAKS Resources Bhd	50	Yes
Ranhill Utilities Bhd	50	Yes
Tenaga Nasional Bhd	50	Yes
MK Land Holdings Bhd	10.95	Yes
Solarvest Holdings Bhd	25	Yes
Solarvest Holdings Bhd	13	Yes
Solarvest Holdings Bhd	12	Yes
Tan Chong Motor Holdings Bhd, APM Automotive Bhd, Warisan TC Holdings Bhd	20	Yes
Gopeng Bhd	50	-
Reneco Bhd	50	-
Uzma Bhd	50	-
Advancecon Holdings Bhd	26	-

Holdings Bhd (three projects totalling 50MW) and Ranhill Utilities Bhd in Bidar, Perak just last week on Feb 7 (50MW).

Other listed companies that have yet to announce the COD of their LSS4 projects include Reneco Bhd (formerly KPower Bhd) (50MW), Uzma Bhd (50MW) and Advancecon Holdings Bhd (26MW).

What caused the delay?

According to the Malaysian Photovoltaic Industry Association (MPIA), among the reasons that contributed to the COD delays are a change in licensing requirement by the EC in recent years, coupled with a backlog in connecting the larger projects to the national grid's 132kV interconnections as all projects headed towards completion at around the same time.

"Developers are learning through this episode just how complicated it is to establish the connections, including how long the supply [in the vicinity of the project] needs to be shut down, and having to liaise with commercial and industrial [consumers in the area] to shut down [as

well]," says its president Davis Chong.

"At the same time, there is a resource constraint to [connect to the grid] from IOD (initial operation date) to COD. We already foresaw this [backlog] issue back in March 2023, and when everybody [planned] to commission by the end of last year, the schedule [got] congested," he explains.

The national grid will see an increasing number of solar installations from here on, the next round being in December 2025 when more than 30 projects of up to 30MW each will come online under the corporate green power programme.

Separately however, a CEO of a local solar developer explains that while the backlog situation can arise, there are also cases where solar power producers experienced delays in reaching the "back energised" stage — where the solar plant starts producing energy without connecting to the grid — which is at 80% project completion and "entirely within the control of project developers", he says.

"LSS4 is very challenging for most players, due to the cost of

materials and equipment, [the rise in] interest rates and forex [fluctuations] post-Covid. It really tested the developers' strength and capabilities to complete [their respective projects]," he adds.

LSS4's tariffs are at very competitive levels of between 17.68 sen/kWh and 24.81 sen/kWh, in view of panel prices declining to around US\$0.20 per watt during the bidding process in 2020.

Surging demand in key markets like the US, China and India during the pandemic drastically raised panel prices and affected projects' financial modelling, making it difficult for certain companies to get financial close.

Initially, the 30 successful bidders in LSS4 had different CODs through 2023, with the latest being in end-December. Following the delays and issues of project viability, the EC in August last year granted the four-year extension to the PPA tenure, and also allowed developers to keep their projects' green attributes rather than giving these to the grid operator, so they can earn revenue from selling the renewable energy certificate to interested parties.

At the same time, the regulator pushed the COD for all LSS4 projects to end-December 2023.

However, it appears this deadline is still not sufficient for some players who are now seeking more time to deliver their projects.

For example, the engineering, procurement, construction and commissioning (EPC) awards for Gopeng and Sharp Ventures' LSS projects to Sunway Construction Bhd were announced in December 2021.

Uzma's unit also secured its EPC contract for Nextnaga Sdn Bhd's 29.99MW LSS4 project in May 2022. It awarded an EPC contract for its own 50MW project to Samaiden Group Bhd in July 2023, taking advantage of another drop in solar panel prices that year.

Apart from LSS4, past LSS awards had their fair share of problems too. To date, LSS2 projects, which were supposed to be delivered by 2020, are seeing 416MW of operational capacity compared with the over 500MW awarded. For LSS3 due 2021, one project of 100MW has yet to be completed. The bidding round saw four awards of 100MW each, and one 91MW project.

While the development of LSS4 is ongoing, the next round of LSS awards (LSS5) involving 2,000MW of capacity will be open for bidding from April to December this year.

The hiccups and problems of the past would be valuable lessons for both the authorities and bidders to learn from. ■