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Review of RE contracts likely

Move seen to follow government's decision in cancelling four IPP deals

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PETALING JAYA: Many renewable energy (RE) contracts may be up for review after the Energy, Green Technology, Science and Climate Change Ministry decided to cancel four independent power producer (IPP) contracts that had been awarded under the previous administration.

Minister Yeo Bee Yin said the ministry would review the contracts of another four IPPs to determine the viability and cost involved. One of the IPPs belong to a listed company, *Bernama* reported.

Currently, the listed IPPs are Malakoff Corp Bhd and YTL Power International Bhd. They are mostly involved in conventional power projects.

Apart from these players, Tadmax Resources Bhd was directly awarded a 1,000MW combined-cycle gas turbine plant on its Pulau Indah land.

The review of the IPP contracts is being done after many were awarded through direct negotiations and direct awards.

"It is true that most of the power purchase agreements (PPAs) awarded have been on a direct negotiation basis. Many of the recent PPAs have also been for RE contracts because the ministry wanted to build up capabilities in this sector," said one power analyst.

"The newer PPA agreements



Enough supply: TNB maintenance personnel work at power substation in Rawang. It is estimated that Malaysia consumes 133 billion kilowatt per hour (kWh) of electric energy annually and produced 141.9 billion kWh.

aren't too extreme – I feel that the contract terms are sufficient for the companies to operate and make some money. Having said that, it is good that the ministry is now more transparent and have open tenders," said another power analyst.

There has been a slew of PPAs between Tenaga Nasional Bhd (TNB) and IPPs over the past two

years, with the bulk of them garnered via direct negotiations.

Most of the agreements over the last two years have been shorter term in nature, hence the financial impact isn't excessive, said analysts.

Quite a few of the newer contracts involve RE, an energy source TNB has been keen on building, as it has purchased companies overseas with expertise in it.

It is estimated that Malaysia consumes 133 billion kilowatt per hour (kWh) of electric energy annually and produced 141.9 billion kWh, leaving it with a strong reserve of 30%.

Yeo said the reserve gives the government time to cancel some IPP contracts and develop a new energy industry centred around RE.