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MediaTitle	The Malaysian Reserve		
Date	13 Jul 2018	Language	English
Circulation	12,000	Readership	36,000
Section	Corporate Malaysia	Page No	1,4
ArticleSize	237 cm ²	Journalist	MARK RAO
PR Value	RM 6,578		



Four IPP deals scrapped, more under review

by MARK RAO

THE government yesterday announced the termination of four directly negotiated independent power producer (IPP) deals concluded by the previous government, while other similar agreements will be put under scrutiny.

Energy, Technology, Science, Climate Change and Environment Minister Yeo Bee Yin said the deals are to be terminated as they were approved through direct negotiations, as opposed to a competitive tender process.

She did not disclose the deals or the names of the companies, except that one of the IPPs is related to a public-listed firm.

Yeo said the cancellation is based on three aspects — financial, technical and legal.

“The Prime Minister (Tun Dr Mahathir Mohamad) suggested these eight IPPs which were awarded through direct negotiations be reviewed. The four that will be cancelled are low-risk projects and we do not need them after a thorough investigation on the implications,” she said according to *Bernama*.

The cancellation of the four IPP deals were announced at the ministry’s town-hall session in Putrajaya yesterday.

The name of the terminated IPPs will be announced next week.

Yeo said there are more than 30 IPP deals and the ministry is reviewing other IPP contracts too.

Early this month, *The Malaysian Reserve* reported that the government is reviewing several power plant deals awarded under the previous administration as the new authority in Putrajaya intensifies reviews of lopsided and unfeasible deals.

Citing an industry insider, the review covers power plants, as well as hydro and solar projects in several states, how the deals were hatched, the beneficiary of these projects and the country’s energy security.

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Govt also reviewing PPAs and their beneficiaries

FROM P1 IPPs

"The government is scrutinising the deals whether we need the power generated based on the country's required power reserve and future use.

"It is also reviewing the power purchase agreements (PPAs) and whether the agreed tariff is fair or lopsided, and the beneficiaries," said the source with knowledge of the review, but could not officially speak to the media.

The contracts to be cancelled are said to be those that have yet to commence or are in the initial development stage.

Meanwhile, share prices of power-related firms were mixed yesterday following the minister's announcement.

The share price of Tadmax Resources Bhd, which had been awarded a 1,200MW

combined cycle gas-fired power plant in Pulau Indah, Selangor, dropped 8.33% to close at 22 sen yesterday.

Tenaga Nasional Bhd's (TNB) share price ended two sen lower at RM14.48, while YTL Power International Bhd was down one sen at RM1.12.

However, Malakoff Corp Bhd's and Ranhill Holdings Bhd's share prices yesterday improved to 89 sen and 69 sen respectively.

Any cancellations of the IPP contracts would reduce the cost to TNB, which had committed to purchase the electricity generated by the companies.

It is estimated that Malaysia consumes 133 billion kWh of electric energy a year, while producing 141.9 billion kWh, leaving the country with a 30% reserve.