



18 JAN, 2025

Who should have a say in energy matters in Sabah?

Daily Express (KK), Malaysia



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SINCE Sabah achieved the milestone of independently regulating its energy sector through the establishment of the Energy Commission of Sabah (ECoS) early last year, numerous changes have followed.

Among them is the transition from the Planning and Implementation Committee for Electricity Supply and Tariff (PIPPEIT), formerly chaired by the Minister of Energy, Green Technology, and Water (KETTHA) with the Sabah Chief Minister, to the newly formed Sabah Energy Council (Majlis Tenaga Sabah, MTS) now chaired by the Sabah Chief Minister.

At first glance, this restructuring seems straightforward, even logical as a natural evolution to align with Sabah's unique energy landscape. Yet, beneath the surface lies a puzzling development. Previously, under PIPPEIT, Sabah Electricity Sdn bhd (Sabah Electricity) was a permanent member with an active role in shaping policy making decisions. In contrast, our position in the new MTS has been reduced to that of a guest, invited to participate only when summoned.

The Majlis Tenaga Sabah (MTS) is entrusted with shaping energy policy for Sabah including on crucial issues such as electricity tariffs, sources of power generation, gas allocation and broader aspects of energy management, with final decisions resting in the hands of the Sabah Cabinet. These deliberations carry profound policy implications for Sabah and the Federal Territory of Labuan.

While it might be argued that this shift aims to safeguard impartiality and/or conflict of interest, particularly regarding project awards and business opportunities, considering Sabah Electricity is a business entity, but this reasoning oversimplifies the matter and diminishes the importance of Sabah Electricity's role in the overall value chain of electricity supply in Sabah. Sabah Electricity is far more than just a business entity. It is the cornerstone of Sabah's electricity supply chain, overseeing generation, transmission, and distribution. It is also the most regulated industry including the profit of Sabah Electricity in the form of Weighted Average Cost (WAC).

Decisions made without Sabah Electricity's direct and continuous involvement risk being disconnected from the operational realities that underpin a functional and reliable energy system. Ignoring this depth of data and expertise undermines the very goals of efficient energy governance and long-term sustainability of supply for the region.

The exclusion becomes even more perplexing when one considers the layers of governance within the Sabah Electricity itself. Sabah Electricity operates two essential entities which are ring fenced namely: the Grid System Operator (GSO) and the Single Buyer (SB) that are designed to function independently.

The GSO oversees the real-time operation of the grid, alongside short- and medium-term planning of the transmission network and generation facilities. Its role is to ensure the system runs efficiently and that supply reliably meets demand. Thus only through GSO that we know how much energy are available and the level of reserve margin. It has been said that a more than 30% reserve margin is essential for grid stability. Additionally the generation share of the utility company such as Sabah Electricity should be more than 50%.

Meanwhile, the Single Buyer manages electricity procurement, ensuring that electricity from Independent Power Producers (IPPs) and Sabah Electricity is sourced at the lowest possible cost to ensure affordability to consumer.

These entities, though part of the company, are ring fenced, operates with structural and operational independence to maintain impartiality and conflict of interest. They have separate systems and even physical separation from the company's primary operations.

Their work ensures that Sabah Electricity cannot directly influence critical processes, such as electricity procurement or grid operation, even though they ultimately report to the company's CEO. Such energy governance is globally the same in any part of the world. This separation was intentionally designed to promote transparency and accountability. Sabah Electricity's exclusion from a permanent seat at MTS is even harder to justify.

Why do I emphasize so much on the importance of having a voice in critical decision-making processes within MTS? The answer lies in the far-reaching scope of MTS discussions, which extend beyond electricity to encompass vital matters such as government policy on natural gas allocations.

Energy governance in Sabah operates within a complex ecosystem, where deci-



sions made at the MTS level frequently intersect with and directly influence Sabah Electricity Operations. Ensuring active participation is not merely about representation but about safeguarding the practical realities and needs of the region's energy landscape.

For instance, resource allocation, particularly the distribution of natural gas, plays a big role in power generation. Yet, there have been troubling trends where natural gas is prioritized for investors or industries outside power generation, despite the persistent and well-documented challenges Sabah faces in maintaining a reliable electricity supply.

Such decisions beg critical questions of



how can a utility company be side-lined from discussions that directly affect its ability to fulfil its mandate? How can long-term energy planning succeed when the primary executor of these plans is relegated to the periphery?

Sabah's energy sector faces persistent challenges in meeting demand, not to mention the frequent supply disruption and the need for significant investment in infrastructure. These issues cannot be addressed in isolation, nor can they be resolved without the full participation of Sabah Electricity. This utility is not merely a service provider but it is the repository of data, expertise, and operational knowledge that should inform every major decision regarding energy policy.

We may point to isolated examples of self-reliance as alternatives to centralized utility systems, such as the self-generation initiatives at KKKP. While we most welcome the initiative, such measures may only provide temporary relief, they are not sustainable solutions. It has been said that in the early days of the Kulim Technology Park in Kedah, they also generated their own electricity supply. Later on when the reserve margin of Tenaga Nasional Berhad (TNB) reached 40% it became cheaper and more convenient for the park to obtain their electricity supply from TNB. The key is stability of the grid and financial sustainability of the utility company.

So Sabah can learn from the experiences of other regions in peninsular Malaysia, where similar self-generation initiatives initially thrived but eventually gave way to centralized utility supply once TNB's reserve margin exceeded 40 percent. The economies of scale achieved by a robust utility system ultimately made it far more cost-effective and efficient for industries to rely on the utility provider rather than generating power independently.

Sabah's situation mirrors this dynamic. Without addressing the systemic challenges within the utility framework, such as capacity constraints and resource allocation, Sabah risks perpetuating inefficiencies and undermining its broader energy goals.

Sabah Electricity, as the sole utility provider, remains central to these efforts. Its exclusion from MTS as a permanent member does not just side-line its expertise, it weakens the entire decision-making process in energy policy formulation.

The stakes are high. Decisions made within MTS will shape the trajectory of Sabah's energy sector for decades to come. One need not remind of the need to achieve net zero carbon emission by 2050. Please remember that any policy formulated today will have serious implications on the future of the energy landscape in the region. To exclude the sole utility provider from a permanent role in MTS is to risk making these decisions in a vacuum, divorced from the practical realities and challenges of energy supply and demand.

MTS must recognize that Sabah Electricity's involvement is not a privilege but a necessity, one that aligns with the collective goal of building a resilient, sustainable, and efficient energy ecosystem for the state and its people.