

Malaysia

Open IPPs bids will lead to cheaper tariffs, says Awer

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KUALA LUMPUR, June 3 — Putrajaya should select independent power producers (IPPs) through competitive bidding instead of awarding concessions to ensure lower electricity tariffs for consumers, an independent research group recommended today days after power prices rose 7.12 per cent.

The Association of Water and Energy Research Malaysia (Awer) also suggested that IPPs refusing to follow this new model should be blacklisted by the government — along with their major shareholders, board of directors and subsidiaries - from bidding on future power generation projects, even in the guise of new entities.

“The electricity industry cannot afford to accommodate industry players that only look for profit and sacrifice the well-being of the public and our beloved nation Malaysia,” Awer said in its report, “Survival: The Future of Our National Electricity Industry”, published yesterday.

“In the case of IPP renegotiation, the federal government must realise that the winning point of the negotiation is with the government and not IPPs,” it added, while urging the government to be firm in protecting public interest and the country’s economic growth.

Awer also said the government, via the Energy Commission, should cap profits for IPPs to encourage plant efficiency and to ensure that operational cost increases are not unduly passed on to the public.

“It is unfair to pass a higher generation cost to tariff just because a particular company wants exorbitant profit,” it said.

The group further proposed public involvement in setting tariffs so that the people will be able to increase their understanding of the tariff system and “lose their fear” of future price hikes.

IPPs should be made to periodically reinvest in their systems to ensure improvements to energy efficiency through modern, up-to-date equipment, Awer added.

The Najib administration has been under siege from the opposition for over a month now for allegedly protecting the interests of IPPs in “lopsided” deals while power rates surged by an average 7.1 per cent on Monday.

Putrajaya announced the electricity tariff hike in an effort to trim its subsidy bill that would otherwise double to RM21 billion this year, but promised the hike will not affect 75 per cent of domestic consumers.

Power prices, however, are expected to rise by as much as 2.3 sen per kWh in areas taking TNB’s electricity supply, a potential source of public anger just ahead of snap polls expected within the year.

Pakatan Rakyat (PR) lawmakers have called on government to disclose the power purchase agreements (PPA) or terminate them outright so that IPP’s inflated power generation costs are not pass through to the public.