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GOVT MAY PUT A HALT TO BUILDING OF INDEPENDENT POWER PLANTS, SAYS MAHATHIR

KUALA LUMPUR, Oct 21 (Bernama) -- Malaysia may put a halt to the setting up of new power plants by independent power producers (IPPs) as the number in operation and in the process of approval was quite high, Prime Minister Datuk Seri Dr Mahathir Mohamad said today.

While acknowledging that the demand for electricity was rising rapidly, he said "unless we can almost assure them (IPPs) of a market, it is dangerous to let them just build plants and find that they have to let the plants idle."

Dr Mahathir, who earlier opened the 11th Conference of Electricity Power Supply Industry (Cepsi) here, was speaking to reporters who asked him whether a time would come when IPPs would have to bid to sell electricity to Tenaga Nasional Bhd which at present was forced to buy electricity generated by IPPs.

He agreed that the IPPs would eventually have to compete to sell their electricity.

He said: "Obviously, we want electricity as cheap as possible so, people who want to go into this area must convince us that they will meet the economics.

"Also, we do not want to kill TNB in order to give a lot of profit to IPPs."

Tenaga Nasional executive chairman Datuk Dr Ahmad Tajuddin Ali, meanwhile, declined to comment on Dr Mahathir's statement on the possibility of imposing a freeze on the setting up of new IPPs.

He said future plants could be set up when the time came; "not ahead of time."

It was reported that Malaysia currently had a surplus of electricity with a total installed capacity of 10,110 megawatts and peak demand of 7,063 megawatts, giving a 43-percent reserve margin.

On the possible renegotiation of the power purchase agreement between Tenaga Nasional and the IPPs, Dr Ahmad Tajuddin said for now Tenaga Nasional had to abide by the agreements signed.

Asked on the possibility of Tenaga Nasional proposing an increase in electricity tariffs, Dr Ahmad Tajuddin said any proposal for a hike was not due to inefficiency or low productivity but the increased cost of paying the IPPs.

"Our thrust is to ensure efficiency at TNB, but we have to lose as other costs have increased," he added.

Analysts said payments to IPPs constituted nearly 40 percent of Tenaga Nasional's operating cost.

In 1995, Tenaga Nasional paid RM1.6 billion to the IPPs. For 1996 and 1997, the payments were estimated at RM2.174 billion, 1998 RM3.106 billion and 1999 RM3.106 billion.

So far, 12 IPPs have been granted licenses and five were in operation, supplying about 30 percent of the power in peninsular Malaysia where Tenaga Nasional still holds the transmission and distribution monopoly.

IPPs in operations are Segari Energy Ventures Sdn Bhd in Lumut, Perak; Port Dickson Power Sdn Bhd in Negeri Sembilan; Genting Sanyen Power Sdn Bhd in Kuala Langat, Selangor; Powertek Bhd in Melaka and YTL Power Generation Sdn Bhd in Pasir Gudang, Johor, and Paka, Terengganu.

The RM13.6-billion Bakun hydro-electric dam in Sarawak with a capacity of 2,400 megawatts was expected to come onstream in 2003. -- BERNAMA

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